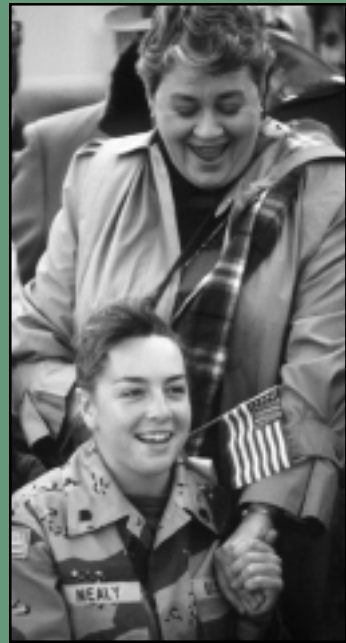


# RESOURCE MANAGEMENT

1st Quarter '99  
PB 48-99-1

*"Getting Down to Business"*



**A salute to National  
Women's History Month**

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COMPTROLLER

**UNDER SECRETARY OF DEFENSE  
1100 DEFENSE PENTAGON  
WASHINGTON DC 20301-1100**

**Jan 7 1999**

MEMORANDUM FOR DIRECTOR, ADMINISTRATION AND MANAGEMENT  
DIRECTORS OF THE DEFENSE AGENCIES  
ASSISTANT SECRETARY OF THE ARMY (FINANCIAL  
MANAGEMENT AND COMPTROLLER)  
SENIOR CIVILIAN OFFICIAL, ASSISTANT SECRETARY  
OF THE NAVY (FINANCIAL MANAGEMENT AND  
COMPTROLLER)  
ASSISTANT SECRETARY OF THE AIR FORCE  
(FINANCIAL MANAGEMENT AND COMPTROLLER)

SUBJECT: Professional Development of Comptroller Personnel

Our financial community is in the midst of a major reform in financial management policies, procedures, operations and systems, with the goal of producing financial statements that receive unqualified audit opinions. This effort has been focused primarily on two structural defects; a broad decentralization of operations, and an unmanageable number of financial systems. To address the first problem, financial management operations have been consolidated into the Defense Finance and Accounting Service. With regard to the second problem, the Department has embarked on a major effort to streamline the number of finance and accounting systems, working down from 327 different systems in place in 1991, toward a goal of 32 by 2003. With these two efforts well underway, the Department is driving to meet the goal of producing accurate financial statements that receive favorable audit opinions.

Continuing this progress, however, will require the hard work and support of our highly competent financial management professionals. For our people to continue meeting the many challenges resulting from financial management reform, we must be committed to their continuous professional development. To that end, we should encourage our financial management personnel to participate in professional development activities, such as the American Society of Military Comptrollers, Association of Government Accountants, and the educational activities of the Joint Financial Management Improvement Program. Such organizations can enable our people to increase their knowledge and skills, and stay current on fast-breaking issues. Professional organizations offer an excellent opportunity for employees to receive up-to-date training on current issues. Participation in activities of professional organizations and in training and development programs enhances the professionalism of the comptroller work force and prepares us to meet present and future challenges. I strongly endorse participation, at all ranks and grades, in these activities.

William J. Lynn

**A message  
from the Assistant Secretary  
of the Army (FM&C)  
Helen T. McCoy**



This issue of *RM* features articles regarding entrepreneurship, reengineering, and privatization – topics associated with our ever-increasing concentration on change, efficiency, and innovation. And the concentration is well warranted. We in the Army are fighting to maintain the effectiveness of our forces following significant reductions in traditional financing sources. A chief weapon in this battle is the search for and implementation of better business practices.

Both necessity and foresight play roles in seeking better business practices. We have built Program Objective Memoranda and budgets for the past few years that assume billions of dollars in planned efficiencies will be achieved. Without the savings from the efficiencies, the budgets are not viable. The Army is implementing efficient practices out of necessity. We also know that the Army has assets with potential for creating income or additional value to support operations. Business practice innovation can be the tool to realize that potential. Foresight is the motivator here.

An organizational climate that fosters entrepreneurship, innovation, and creativity can certainly elicit ideas to improve business practices. However, I believe it is possible to do more than merely encourage the workforce to, “Go forth and commit innovation.” I have chosen to institutionalize the process throughout my organization. Each office is motivated to look for better ways of doing business. I also have a small team of experienced resource management professionals that are not involved in day-to-day operations. Their mission is to spearhead efforts to improve business practices by reducing and avoiding costs; generating and collecting revenue; streamlining and consolidating operations; and using partnerships and regionalizations to reduce infrastructure requirements. The office does not have operational responsibility for the issues it addresses. Rather, by working issues in conjunction with the operational proponents, the analysts serve as catalysts for change.

In times of retrenchment, some might consider the push for creativity and existence of an office devoted strictly to innovation and change to be a luxury unaffordable. I, however, feel that austerity demands we pursue efficient business practices, and the investment in an organization dedicated to those ends is an investment in the true meaning of the word.

*This medium is approved for official dissemination of material designed to keep individuals within the Army knowledgeable of current and emerging developments within their areas of expertise for the purpose of professional development.*

By order of the Secretary of the Army:

United States Army Chief of Staff  
DENNIS J. REIMER

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# RESOURCE MANAGEMENT

1st Quarter '99

"Getting Down to Business"

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### On the Cover:

#### A Salute to National Women's History Month

**Clockwise:** A communications specialist works at U.S. Army Central Headquarters; Sgt. Bailey works on her laptop for the The Judge Advocate General Staff office; U.S. Army Ranger pilot and crew chief conduct helicopter flight operations; Spec. Melissa Rathburn-Nealy, the first female to be taken prisoner by Iraqi forces; An air traffic controller works in a control tower; Military policewoman directs a convoy of armored vehicles; Spec. 4 Mechelle Kowalski, a signal intelligence specialist; **Center:** Drill sergeant adjusts soldier's gear.

# Entrepreneurship and the DoD

## Identifying the role of entrepreneurship in DoD and the U.S. Army

by Capt. Craig M. Newman

### *Part II of a two-part series.*

**Examples of government entrepreneurship.** Public-private venture or PPV partnerships are a program on the leading edge of government entrepreneurial thinking. Several federal resource managers credit the program's success to Martina Garrison of the Army's Community and Family Support Center. As explained by Garrison, what has driven this project is the Army morale, welfare and recreation or MWR fund's need for additional money. The center has about a \$40 million annual budget but could easily use over \$100 million. The PPV concept aims to augment the fund's program through private firms.

This venture pursues private-sector developers to finance, build, operate and maintain community facilities or services on Army installations. This provides a service for the installation while avoiding costs of initial construction and recurring maintenance and utilities. The program serves as an alternative delivery system for MWR's programs and facilities. A secondary purpose of the PPV program is to provide a supplemental revenue stream to installation MWR programs. According to Michael Rhodes of the Army's Community and Family Support Center, the current MWR PPV process embodies the "asset management" concept which envisions real estate as a profit center to be maximized rather than a cost center to be minimized. Asset management is aimed at enhancing benefit or value to an organization through a continual process of identifying real estate that is not performing at its highest or best use.

**Synopsis of part 1:** The definition of "entrepreneur" has evolved over the centuries and leading business analysts today state that the future of entrepreneurship will depend on government agencies such as DoD. Although significant resource control differences abound between private entrepreneurial firms and DoD, lessons can be learned from private industry. What is important are that the DoD leadership understand the concepts of entrepreneurship and that these concepts be carefully made part of organizational strategy. DoD can be an entrepreneurial organization in spirit; a starting point is to identify barriers that keep the organization from instilling such a spirit.

Ellsworth discusses barriers to entrepreneurship as having four origins: societal, strategic (goals and functional policies), organizational (formal and informal) and individual (societal and psychological). Individualism is still a major motivator that drives how most American enterprises are run. Chief executive officers are provided stock options as incentives to ensure that their self-interests match those of shareholders, i.e., to maximize profits. The pattern of goals and functional policies making up a company's strategy can stifle entrepreneurial decision-making in large organizations.

Good near-term financial performance is not synonymous with continued competitiveness. If entrepreneurial activity is to be successful over the long term, those with entrepreneurial attributes need to be tied to the company by shared values and goals. Without compatibility between the values of the entrepreneur and the company, the aggressive posture of the entrepreneur is more likely to be perceived by superiors as a personal threat. When that occurs, superiors become reluctant to give the necessary autonomy and resources to the entrepreneur. Values supportive of entrepreneurship need to be woven into the fabric of the company's culture rather than to become an isolated counter-cultural appendage that can be gradually overwhelmed by the weight of the organization's central values.

Many programs are already in place that can make entrepreneurial ideas successful within DoD. One of these programs is incentive awards that are written into law which permit cash awards to individuals that save DoD money. The problem is the lack of leadership encouragement to get employees interested in such programs.

Entrepreneurs are people who have the ability to see and evaluate business opportunities, to gather the necessary resources to take advantage of them and to initiate appropriate action to ensure success. Entrepreneurs are action-oriented, highly motivated individuals who take risks to attain goals. The following list of characteristics and traits provides a working profile of entrepreneurs: Self-confidence, Task-result oriented, Risk-taker, Leadership, Originality and Future-oriented. (Meredith, 3).

As of last summer there were 20 PPV projects being considered totaling over \$150 million in potential taxpayer savings. PPV began in 1993 and is about to finalize its first public-private deal, a car wash at Fort Carson, Colo. For a public agency, this may have set a new standard for expediting a program of this size. According to Garrison the greatest challenge to implementing this innovative program was getting interest and approval from supervisors, other agency directors and finally Congress. Although the program's execution falls within Federal Acquisition Regulations, it took open-minded interpretation of the regulations, as Keogh had discussed (see part 1, in the 4th Qtr, '98 *RM*); standard bidding procedures were not used.

What makes this endeavor "entrepreneurial" are the individual and group traits that were required to make this project successful. These traits as explained in detail earlier include the heterogeneous range of personal traits: initiative, creativity, high achievement, motivation, perseverance, enthusiasm, competitiveness, inventiveness and willingness to assume risks. An individual or organization that becomes frustrated and overcome by bureaucracy will never see a government project of this magnitude through to completion. DoD's corporate culture is such that managers protect their domain; when an agency develops a program with little recognition, much added work and big change to the daily routine, the natural reaction is to fight the project. These barriers had to be overcome by Garrison and her team to successfully implement the PPV program. That of course is not the case in all instances and there appears to be a change occurring that fosters better cooperation among agencies.

### **Federal agencies**

Several other Federal agencies have developed programs considered entrepreneurial. The U.S. Internal Revenue Service's budget director used knowledge and experience in budgeting rules to assemble an innovative \$2 billion package of additional investments to increase tax compliance. The Patent and Trademark Office has been operating without appropriated funds since 1991 because user fees have made the agency self-sufficient. The Immigration and Naturalization Service and the

Department of Veterans Affairs are leading the way in creating solid fee structures to pay for some services, due mainly to entrepreneurial financial managers (Phillips, 45).

### **Recommended programs**

#### **Cultural changes**

DoD is many years from meeting the currently accepted definition of entrepreneurship; however, innovation within DoD is strong, particularly within the research and development community. If that had not been true, the U.S. would not be the only superpower remaining today. For DoD to become an

entrepreneurial organization, its culture will require major changes. I agree with Pat Keogh that the Army is full of bright innovative minds and that entrepreneurs exist within our organization. What's suppressing these individuals is not the regulations but the leaders who interpret them and the cross-agency barriers that have made cooperation so difficult. The individuals in the Army MWR fund who have worked so hard at developing such large cost-saving endeavors, should be

financially and publicly rewarded for their efforts. They have not only provided a program that could immediately save over \$100 million but also given DoD personnel quality-of-life improvements, established an entirely new method for managing resources and opened new doors to cross-agency cooperation. It would be difficult to place cost savings on these changes; however, if DoD leaders grasp the potential of this program and improve on it, the savings could be in the billions of dollars. A traditional response to such savings would be to cut Army MWR dollars by the amount of realized savings, thereby offsetting gains fund managers have worked to increase. This has been the reality of dealing with public dollars; it's also the attitude that suppresses entrepreneurial minds.

#### **Total Quality Management**

There is merit to the idea that DoD implement concepts of Total Quality Management. According to Krajewski and Ritzman (Operations Management, p. 137) TQM stresses three principles: customer satisfaction, employee involvement and continuous improvements in quality. TQM also involves bench-

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**There is merit  
to the idea  
that DoD  
implement  
concepts of  
Total Quality  
Management.**

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marking, product and service design, process design, purchasing and problem-solving tools. Many scholars dispute the fact that these ideas originated in the U.S. and have been around for years. The Japanese, however, were able to implement TQM, and the results became evident in the late 1970's and 1980's. It took Japanese success with TQM to wake up American industry.

TQM is no longer a strategic advantage but a requirement of survival for any business or industry. The federal government can learn from the Japanese and U.S. industry success. The most important TQM principle that government agencies can implement is employee involvement. A complete program in employee involvement includes changing organizational culture, fostering individual development through training, establishing awards and incentives and encouraging teamwork (Krajewski, 143).

Organizations, public or private, that empower their employees to make decisions without fear of recourse are on the path to success. Without a doubt, the best ideas on cost savings and readiness improvement have come from the lower ranks. A comparable private industry example is a recent central New York newspaper article about Bristol-Myers Squibb, a pharmaceutical company that produces large quantities of penicillin. The news article referenced the "million-dollar man," a worker who saved the company millions of dollars through innovative ideas. The success of this story was not only that of the individual, but also that management was willing to listen to this lower level employee (someone who lacked a formal engineering background) and invest in his ideas. Entrepreneurial ideas are available to DoD; however, until the present mistrust by leadership and organizations of Defense employees is lifted, such ideas may not develop.

This organizational mistrust goes deeper than just to its own employees. The regulations and costs put into monitoring employees far exceed the benefits provided. Federal regulations often base themselves on the premise that, given the chance, employees and contractors will steal from or somehow deceive the government. This premise leads to an exorbitant amount of lawyers, auditors and regulations. Any organization with this amount of open mistrust will

not foster a cooperative environment among its employees, suppliers and contractors.

Private industry supply chain management concepts foster trust and cooperation among businesses and in some cases among competitors. It is often to the benefit of one business to train and help develop another business's processes in order to benefit its own. It would seem that a private industry with limited resources would have much more to lose than a government if this concept failed. These partnership programs are providing private businesses with competitive advantages within their industries.

### **Employee incentives**

According to Dr. Dale Geiger, a frequent *RM* contributor on identifying and controlling costs, "The Army must recognize that every officer, NCO, soldier and civilian manages a resource even if it is their own time. All must understand that in today's financial environment it is expected that each have the responsibility and obligation to continually improve the management of their resources. Cost is simply a way to measure this fact and facilitate its accomplishment."

However, this statement fails to address how these "responsibilities and obligations" can be successfully implemented. What incentives are provided to the listed individuals? All the current issues being discussed on soldier pay, quality of life initiatives, closing the Army MWR facilities, and so on, are a part of the daily lives of soldiers on installations throughout the world. To tell soldiers that they have the responsibility and obligation to continually improve resource management is going to take much more than words to implement. If a soldier observes that funds saved from recycling paper give direct savings at the movie theater each week, the recycling program will be a major success. When unit fund money that was used for unit events was reduced, soldiers began their own programs to raise funds for these unit events. The reason this is successful is that soldiers enjoy the unit organization days, and the funds they raise are completely used for them and their families, not reappropriated to a construction project on some other installation.

Resource managers would be kidding themselves to think they can use "duty, honor and country" to

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## **Private industry supply chain management concepts foster trust and coopera- tion among businesses**

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implement resource saving initiatives from individuals raised in an individualistic society. Lower grade soldiers and civilians have the same self-interests as senior managers. If we provide incentives that directly benefit the individual and small group (unit level), then we can conserve our limited resources.

### **Employee motivation**

Entrepreneurs are successful motivators of their employees. This trait is difficult to learn and even tougher to implement in a large bureaucratic organization. The best ideas available in an organization come seldom from the few at the top but often from the masses that work the real issues on a daily basis. How do entrepreneurial leaders motivate their employees to provide such ideas? Meredith et al (p18) provide these techniques: build workers' self-esteem, inform employees, delegate authority and responsibility, maintain contact, analyze the problem not the person, apply the reinforcement principle, be an active listener, set specific goals and continually review them, and take corrective action. All of these concepts are taught at most military schools; it is the challenge of leaders to implement them.

Humans by nature do not like or accept change willingly. We see daily examples of change avoidance in projects such as implementing a new software system or transitioning from typewriters to personal computers. Systems that will improve efficiency at many levels are considered threats to daily routines and possibly perceived as threats to individuals' jobs. My impression of a successful entrepreneurial leader in a bureaucracy as large as DoD or the Army is a tenacious individual willing to take chances who understands the people within the organization. Such people are able to motivate individuals to accept and participate in the future.

### **Conclusion**

Although the term "entrepreneur" has changed in meaning over time, it is still a concept difficult to establish in a large bureaucratic organization. There are lessons to be learned from private industry; however, the distinctions are such that care is needed not to make a complete comparison. Entrepreneurial attitudes will provide the innovation needed to

maintain leading-edge technology and give war-fighters resources they need to maintain an unchallenged advantage. Significant organizational changes are needed to give innovative thinkers the ability and desire to see programs through to completion. Incentives, trust and cooperation are a good beginning but need to be sustained by senior leaders' support. When DoD establishes itself as entrepreneurial, it will likely be due to a senior leader in the organization who is able to project her or his vision to subordinate leaders and is willing to remove from leadership roles any who are unable to implement the needed changes. It takes the entire team of a corporation to make the kind of changes required of a corporate culture change.

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### **About the Author**

**Capt. Craig Newman**, a career FA 45 officer, graduated last August from the Army Comptrollership Program at Syracuse University, where he wrote this article as his class paper. He is now attending the Command and General Staff Officer Course at Fort Leavenworth, Kan.



# Reengineering phenomenon

by Maria T. Van Syckle

A major problem confronting business and government today is how to increase productivity and provide higher levels of service and responsiveness, while at the same time reducing costs. This same dilemma faces the Army, as the budget continues to spiral downward and responsibilities spiral upward.

The business environment today is marked by change, chaos in the markets, organizations struggling to redefine themselves, structures that no longer work and management philosophies that are quickly outdated. Today's Army environment parallels industry's chaos and uncertainty with its priorities evolving as national security threats change, roles transform from warrior to peace-keeper, and the force stands down as missions alter from the large Cold War threat to many smaller global infractions and nation-building efforts.

Three major drivers influencing and encouraging change are:

- ♦ Government, such as deregulation, increase of free trade, and trends toward privatization;
- ♦ Technology, especially computers and information systems which increase the speed with which information is disseminated and used; and
- ♦ Globalization, with corporations expanding their markets and DoD joining forces and missions with NATO and other allies (Champy & Nohria p.vii).

An organization that can redefine itself to become flexible, streamlined and responsive to the volatile, uncertain future has taken a step in the right direction.

## Reengineering definition

To succeed in today's fast-paced world, companies and government agencies must reengineer themselves, permanently transforming the entire orientation and direction of the organization.

"Reengineering is reinventing the enterprise by challenging its existing doctrines, practices and activities and then innovatively redeploying its capital

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## Lessons learned from industry applied to the Army

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and human resources into cross-functional processes ...with the intention to optimize the organization's competitive position, its value to its shareholders and its contribution to society." (Bennis & Mische p10).

## Myths about reengineering

There are some fallacies circulating about reengineering that need to be dismissed — for example, that reengineering...

...is another word for downsizing,

...means doing more with less,

...is only about information technology,

...can be used to fix any problem, and

...creates anxiety and chaos that are detrimental to the organization.

If reengineering is implemented and managed correctly, these mindsets can be invalidated.

The terms downsizing and reengineering often become too easily interchanged, especially in the government. Organizations think that by cutting people, they are in effect reengineering; but in reality, downsizing is neither innovative nor effective. It is management's easy out when they run out of ideas to save money. Downsizing is the simple act of removing people while the work remains, as do the old methods, the old systems, and the old processes for "getting the job done." It is a short-term fix that looks good on paper but not over time when systems break down. Productivity, employee morale and customer service suffer as employees try to increase their effort to compensate for the people who were let go.

Reengineering is concerned with doing things differently and more effectively. It does not start with the premise of eliminating jobs, nor does it inevitably lead to downsizing. Unfortunately, some organizations haphazardly eliminate positions, cutting deep into their core cultures and losing knowledge, leaders and values.

Since 1989, DoD has focused on extensively drawing down end-strength, purely by numbers at

the top level. DoD downsizing and streamlining efforts are poorly addressed by outmoded processes such as reductions in force and employee buyouts. According to an August 1996 General Accounting Office report, the DoD workforce was downsized without a corresponding decrease in workload, thereby making agencies experience work backlogs, service shortfalls and increased overtime (Phillips et al p215).

Voluntary buyouts offered to federal workers induce experienced personnel to quit or retire early from critical operations, causing a skill imbalance and an exodus of corporate memory and competence. Voluntarily forfeiting talent becomes “suicising,” not downsizing (Bennis & Mische p3).

Information technology is an essential enabler in reengineering efforts, just as talented workers are; but it is not the cure-all that some expect. When used properly, information technology can drive business process redesign faster and farther than expected; however, it could also be a disabler when invested in legacy systems and processes.

One Fortune 1000 company invested \$7 million in new technology and software to support order entry and manufacturing processes. Its objective was to have the software enhance and support “how we do business” (Bennis & Mische p3). It was an unmitigated failure, squandering considerable resources and time. Senior management’s big mistake was its reluctance to disrupt the organization to reengineer its existing processes and organizational responsibilities; instead, it relied fully on the information technology as its panacea. The company discovered that automating its old processes, which were filled with duplication of effort, caused the opposite effect of its intentions – increased inventories, head counts, cycle times, and order backlogs. Michael Hammer, reengineering pioneer, says, “Don’t automate, obliterate” because turning the “cow paths” of business processes into superhighways using computer systems does not work (p1).

The notion that reengineering creates anxiety and chaos, which is detrimental to the organization, is also a myth. Anxiety and chaos may result if the effort is managed poorly, but the reality is that

reengineering can increase employee morale and organizational cohesiveness. Constructively challenging and analyzing an organization’s hierarchy and activities based on value, purpose and content can increase employee interest and appreciation of the enterprise, its leadership and its products or service.

### **Reengineering history**

As society enters the information age, business process reengineering will be instrumental in propelling organizations into the future, leaving the past far behind. This information revolution, similar to the

industrial revolution, is marked by chaos and uncertainty, with sources of power shifting to the next paradigm; however, businesses’ goals and strategies have not caught up (Grover & Kettinger p57).

The total quality management philosophies of Joseph Juran and W. Edwards Deming have helped the reengineering revolution evolve. Their philosophies are clearly “process-focused” and in contrast to the scientific theory of western

management, which defines work into discrete, simple, repetitive tasks that can be performed by lesser skilled employees and through automation. With the shift to the information age, the entrenched scientific philosophy must be broken to think more in terms of processes, natural work groups, core-functional work cells and cross-functional employees—always keeping in mind the customer (Grover & Kettinger p58).

### **Analysis of the Army reengineering effort**

For decades the government followed the processes of the past, which were bound by legal mandates and internal tradition and not necessarily by common sense. Government employees, trapped in a maze of outdated ways of doing business, simply asked for more money to keep operations afloat as the environment got more complex. There was no incentive to rethink how government business was conducted; but now resources are scarce and government performance is less than desirable. Government must stop its old habits, examine its new mission, focus on its customers and reinvent itself.

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## **The total quality management philosophies of Joseph Juran and W. Edwards Deming have helped the reengineering revolution evolve.**

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DoD has taken steps in the right direction to change its visions and missions with convergent reinvention conferences. As examples, the Defense Science Board identifies specific areas and approaches for lowering support costs while enhancing performance, and the Quadrennial Defense Review reassesses America's defense strategy, force structure, modernization programs and infrastructure to lead the force of the 21<sup>st</sup> century. The National Partnership for Reinventing Government (formerly National Performance Review) continually strives for a more efficient, effective and productive government. The Army has responded to all these initiatives with a "good faith" plan by creating at least 44 reinvention laboratories and centers Army-wide, policies to waive restrictive Army regulations, and a reengineering legislative working group to assist in legislative change proposals (according to the 1997 Army National Performance Review report).

Review of the effort to date suggests that there is a strong framework with good intentions of improvement; but instead of reengineering the way it is defined—throwing out old processes and reinventing radically new ones—the Army is just modifying the current ones. On their reengineering home page, for instance, Forces Command reports news releases of successful reinventions such as espionage briefing changed from annual requirement to every two years and civilian ID cards issued indefinitely instead of expiring after four years. Clearly these are not examples of reengineering but just doing business smarter.

Some projected initiatives from the last review include personnel losses of 45,000 over fiscal years 1998-2003 and support missions moving from in-house functions to contractors (Brower). Haphazard cuts and redistribution of old processes to contractors are not the focus or the intention of reengineering.

In order to keep up with these dwindling resources, the Army needs to take the initiative and make bold, global transformations that may go against the political grain. As the Army continues its metamorphosis, lessons learned and best practices from industry and reengineering pioneers will spur it along the path to success.

#### **Defining characteristics for success**

To be truly defined a successful reengineering undertaking, organizations must incorporate the

following critical characteristics: process focus, radical change and dramatic improvement. They are the pillars of Carr and Johansson's business process reengineering temple and together with the foundation of best practices and change/risk management will keep any project from crumbling.

In figure 1, the roof, encroaching the reengineering temple, refers to the organization's need to be competitive particularly in the areas of cost, quality, lead time, delivery reliability, product characteristics, product support and service.

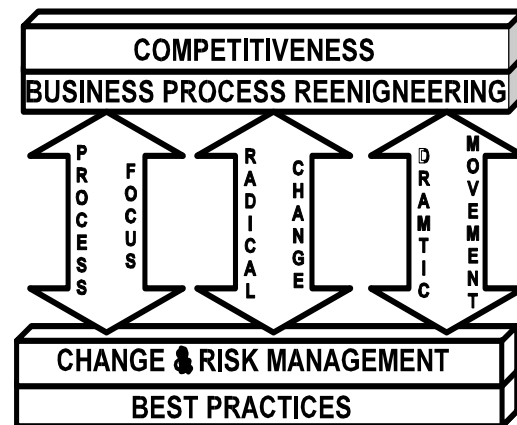


Figure 1

#### **Process focus**

For an organization to get the largest business process reengineering reward, the focus should be on core processes which directly touch customers and suppliers, rather than on processes that are completely internal to the organization. Taking a process view (horizontally cutting across functions) instead of a functional view (vertically feeding processes) allows management to clearly define its missions and goals. One of the first steps the Army must complete is to define its core competencies so that it can target these areas for maximum results.

#### **Radical change**

To begin to reinvent itself, an organization needs a clean slate so that it can focus on future customer needs. This method allows people to move away from traditional ways of thinking, and embrace "thinking outside the box," not necessarily destroying assets but rather leveraging a company's core competencies and meaningful management investments.

#### **Dramatic improvement**

Business process reengineering is not about several minor 5 to 15 percent incremental improve-

ment gains, which most organizations are content with, but is characterized by dramatic improvements of 50 percent or better applied to core business processes for the most quantum results. Targets must be stretched beyond their limits; for example, productivity gains of 50 to 100 percent, inventory reductions of 50 to 60 percent and cycle time improvements of 50 to 300 percent (Bennis & Mische p13).

### **Strong foundation change, risk management**

Unfortunately, business process reengineering can be risk intensive because many earlier reengineering projects failed or did not realize their initial targets due to improper planning. Leaders must decide whether the potential rewards are worth the investment and risk. If the decision is to proceed, they must protect the company with a detailed change and risk management plan.

### **Best practices**

The most resourceful way to mitigate risk is to leverage off the best practices of those organizations with proven reengineering successes.

### **Essential elements of reengineering**

To obtain the most effective reengineering program, many companies and reengineering pioneers advise amateurs, such as the Army, to incorporate the following essential elements and best practices in all their efforts.

### **A bold vision**

During the period of transformation, a well-articulated vision statement, expressed in specific performance outcomes and related to its core competencies, is vital to effectively communicate the future direction of the organization to its customers but more importantly to its employees. This interaction enables every business unit and employee to tie their strategic goals and objectives to achieving that vision.

Gerald Isom, President of CIGNA Insurance, was reviewing the past five years' poor results and realized that the company had talented people—a vital core competency—but was out of focus. He instituted the basic vision to be one of the “better *specialist* property and casualty [P&C] companies in the industry” (Conference Board p9). It is hard to compete and be successful when the strategy is incompatible with the core competencies—CIGNA P&C was being managed as a *generalist* company when its employees had *specialty* characteristics, a detrimental combination.

A vision transformation does not necessarily mean the company is not exceeding performance. Good examples are Home Depot, GE, Yamaha, Motorola, Kao and Bausch & Lomb—they desire to dominate or change an entire industry. Home Depot redefined the industry and manner in which people shopped for home remodeling materials when it launched the concept of retail warehousing with huge quantities of in-stock items, everyday low prices and highly paid and knowledgeable workers. It reengineered the traditional hardware and building supply industry and also created a completely new retailing concept (Bennis & Mische p6).

Top management agrees that the transformation effort must start with an awareness of the urgency to achieve improvement and a clear vision toward which management and employees can work. “When there is no vision, the people perish.”—Proverbs 29:18.

An analysis of several vision statements of Army reengineering efforts suggests some of them may need refocusing with clearer, more specific and farther-reaching goals. For example, when the Army's Financial Management or FM Redesign office was asked if there was a top-level overarching vision statement with specific stretched targets, the answer was no (Bonessa). In most Army initiatives, urgency is apparent at the top, but clear direction, appropriate resources and wide communication are lacking to disseminate the compelling need.

### **A systematic approach**

According to Grover and Kettinger, organizations are motivated to reengineer by one of three driving forces:

- ♦ Desperation or crisis (60%)—where they must do something radical to survive and have little to lose (e.g., General Motors and Chrysler in the 1980s)
- ♦ Foresight (30%)—where they anticipate reaching desperation unless they do something to avert it
- ♦ Ambition (10%)—where they move to a new paradigm to create crises for their competition (e.g., Home Depot) (p. 60)

There are several approaches to reengineering, but it is best to find the one that fits each organization and its corresponding motivating forces. The model in figure 2 depicts an evolution to business process reengineering ranging from incremental changes to the dramatic—scrap the old and start with a blank sheet.

The less extreme of the two is a system of mapping the 'as-is' processes, then modifying major parts of them. This is the traditional approach, but it is designed to satisfy only near-term objectives and not yield dramatic results. According to the reengineering definition, revolutionary transformation is the only effective method, since it yields results of 50 percent or better and concentrates on all activities, not just one aspect of the organization.

Mark D. Youngblood of the Renova Corporation recommends coupling reengineering with total quality management in order to bring about real sustained change. Reengineering is top-down, rapid, dramatic and macro, while TQM is bottoms-up, incremental, micro and continuously improving. The two successfully join to yield long-term, supported improvements (The Conference Board p25)

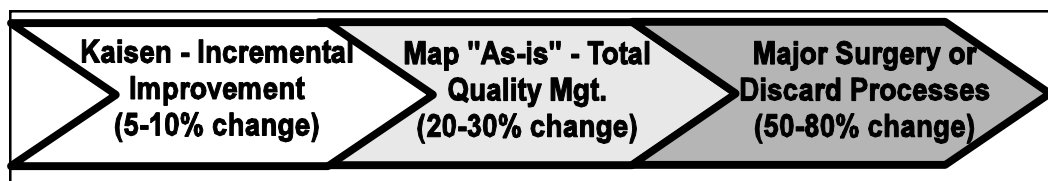


Figure 2

Some companies caution novice reengineering implementers against using certain basic approaches. The "magic wand" approach, which is to apply simplistic, packaged solutions to complicated problems, could be a forced mismatch. Others guard against benchmarking yesterday's job-based practices, because it stifles forward thinking and puts the organization behind the power curve for tomorrow's market-process world. By emulating even the best of the past, barriers are built to future effectiveness. The secret of reengineering is to focus internally, not look outside the organization for a whiz-bang solution.

The Army is nearing the point of desperation. Agencies are gearing up for a transformation effort; however, most efforts are hedging toward small, incremental modifications instead of the clean-slate approach. For example, the FM Redesign effort is mapping 'as-is' processes for improvement with guidelines of "small steps, collaboration, demonstrated success and hand-off" (Bonessa). Its information technology effort is focused on sharing different independent automation tools that tend to

be piecemeal and specific to one agency's idiosyncrasies. With no overarching consolidation and integration, the effort is frustrating and less rewarding.

### Clear intent and mandate

Once the vision and approach are selected, an organization must demonstrate clear intent and compelling need to accomplish the reengineering effort. To effect lasting systematic change, the organization must begin with specific intentions and understand that the final result will be an entirely different enterprise.

Top management must mandate change and be heavily involved from the onset and throughout the process. "In quality improvement projects, the visibility of senior management is important early on, but it decreases in importance over time; however, in reengineering projects, the visibility and commitment is [sic] vital from the start and intensi-

fies as the project proceeds" (Caron p5).

With the backing of top executives who allocate the

resources necessary to plan, implement and sustain a reengineering effort, the message is evident that this is not another management fad. Employees are compelled to make performance breakthroughs and take ownership of their new processes in order to maintain the reengineering intent and attain their far-reaching goals.

The Army's reengineering effort has very strong leadership devoted to making the Army better; however, to demonstrate true support, considerable resources need to be applied with concentrated executive involvement necessary throughout the implementation process. Additionally, when organizations devise innovations that incur true savings, a method to incentivize and foster pride in ownership is to share these savings with the workforce or contribute back into their organization (Kaminski p9).

### A specific methodology

To avoid chaos and lasting scars during the reengineering process, a pre-planned, well-communited methodology is critical. Organizations should follow specific step-by-step procedures with

enough flexibility to accommodate new developments. Each organization needs to find the best methodology that fits its needs or modify those of successful companies. Figure 3 shows methodologies from several different large companies who achieved favorable results, each following similar core strategies with modifications (The Conference Board p9; Carr & Johansson p189).

ITT Business Unit Bell & Gosset, Co.	Cigna Insurance Gerald Isom, President	AlliedSignal, Chemical, Bossidy
1. Organize BPR team & prepare game plan	1. Start with basic vision	1. Leveraged off TQM foundation
2. Identify critical core customer processes	2. Convince employees	2. Created a vision
3. Select core process in need of reengineering	3. Break down barriers between businesses	3. Set aggressive goals on core competencies
4. Identify value-added processes within core	4. Reorganize centers to focus mission	4. Aligned HR system to cultural change
5. Benchmark drivers of performance	5. Internally investigate & revamp processes	5. Intensive & involved training with results
6. Quantify processes in detail to apply ABC	6. Complete review and align with HQ	6. Charter teams with power to change
7. Create vision, communicate change,...	7. Build measurement technique to track	7. Conduct Value-added analysis on processes
...Restructure, conduct pilot program		8. Sustain w/ training to customers & suppliers

Figure 3

### Effective and visible leadership

To have a smooth and efficient implementation, top leadership must be creative, influential and credible, with a track record of success and a solid knowledge of the business. "An effective reengineering leader must be one part visionary, one part communicator and one part legbreaker" (Hammer and Stanton p48).

The driving force to success is to charter the right-skilled team to set direction and priorities. At Cigna Corporation, after the first reengineering pilot program was successful, management formed their own reengineering group to share knowledge and experiences derived from one project to the next.

These talented leaders would serve on the reengineering staff for 12 to 18 months and then transfer to the business center where their skills could be applied on a continuing basis (Caron p4). With this approach, reengineering knowledge is diffused and leveraged from one project to another

throughout the entire corporation, cultivating lasting cultural change.

With the creation of 44 reinvention centers, the Army is preparing an effective framework for dramatic improvement and sharing of information and best practices. It has only to promulgate its goals and visions down to the working level and form interactive teams to champion each cause.

### Constant and open communication

One of most critical aspects of reengineering is to communicate thoroughly, widely and plainly. To ensure that communications are clear to all members, one strategy includes segmenting the audience and providing training sessions specially developed for each section.

Disseminating the message constantly and involving all employees in the process improves internal cooperation and alleviates some of the fears by giving the workforce a better understanding of the

organization's needs and direction. At Cigna Property and Casualty's center, the reengineering team carried out 30 different diagnostics and gathered inputs from more than 1,000 employees through surveys, interviews and workshops (Caron p10).

AlliedSignal found that the use of workshops was very effective to communicate among all levels and break through boundaries. Employees would collaborate to identify potential barriers and brainstorm actions to overcome or mitigate them. This interaction created a cooperative and efficient environment in which employees most familiar with various processes transformed them while senior executives with the power removed the hurdles. This technique solved real problems, mapped out old processes and made substantial progress toward attaining improvement objectives, all in a few-days workshop (Carr & Johansson, p.188). Use of common language helps form a strong base to springboard the reinvention message.

AlliedSignal found their reengineering experience proceeded quickly and smoothly with the fundamental TQM language they had lived with for years. In fact, the CEO never called it reengineering for fear of clouding the issue, so he renamed the effort, "Total Quality through Speed."

The Army needs to project the urgency of reinventing its processes to the widest audience possible. Perhaps, through all of the Army's intensive training and workshops, reengineering should be implemented in its curriculum, as it was in that of AlliedSignal. With the Army's years of TQM experience, leveraging off the TQM lingo and policies may be a great strategy to ease the reengineering transition.

### **Restructuring organizations**

To successfully confront and adapt to the challenges of a dynamic environment requires adoption of new methods, skills and structures—in short, a new organization. The archaic, centralized organization is too slow, too bureaucratic, too costly and too inefficient to match the needs of today's information-intensive community that fosters flexibility, responsiveness and entrepreneurial spirit.

The future organization is a fluid adaptive network, where project teams form and reform or die from disuse (Champy and Nohria p.xvii). Labor in a network structure is not divided but rather shared among knowledge workers or cross-functional teams. These teams operate with little formal supervision. Through easy access to abundant information, knowledge workers rather than higher-level managers handle decision making, cutting out several redundant layers.

Future organizational boundaries will blur among the organization itself and its vendors, customers and competitors. GM is a perfect example. Originally, GM had a separate strategic planning staff from its operating staff—isolating conception from execution. It realized this was inefficient, so it flattened the organization. Then, GM focused on core competencies and changed its percent of internally produced value-added components from 90 to 40, outsourcing the rest of the components to a network

of vendors that are viewed as not just suppliers but genuine business partners (Champy and Nohria p.xvii).

Sustaining improvement is not possible without fundamental change in both the Army's organizational culture and its management processes. The Army needs to reduce its layers and approval authorities to become a flatter, leaner and more responsive organization—empowering the individual. The Army Acquisition Corps' integrated product team concept has been effective in involving all functional members and contractors throughout the acquisition phases. However, steps need to be taken toward making the acquisition manager accountable for the entire life cycle, so that enormous operation and support costs can be controlled.

In part II of this article, in the next issue of *RM*, the author will expand the points below in addressing lessons learned, conclusions and recommendations for strengthening Army reengineering

efforts. Lessons learned from industry's experience will allow the Army to catapult ahead of the change blockade. The Army has an entrenched political and patriarchal culture that is very difficult to modify because traditions, norms and fears are hard to overcome. Organizations need to transform from stovepipes to teams for a more responsive and customer focused strategy. To alleviate stress during these cultural changes, greater effort must be directed toward effective change management of organizational culture, human resource management and strategic planning.

Times will continue to change, so organizations must stay one step ahead and look to the future for the next innovation. The public is demanding higher standards of performance, more effective management, greater accountability and enhanced value from their dollars. Army leaders must equip themselves with the right tools to embrace change. Reengineering of old processes, concepts and organizations is imperative to respond rapidly and support the critical missions of the war-fighter for the 21<sup>st</sup> Century.

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## **Organizations need to transform from stovepipes to teams for a more responsive and customer focused strategy.**

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# The privatization of rotary wing training

## Should the Army consider privatizing its rotary wing flight training program?

by Maj. Karl M. Kraus

In this day and age of budget cuts and widespread belt-tightening, most government agencies are looking for ways to stretch their dollars further. Many agencies are evaluating the services they provide and asking if private enterprise can furnish these services in a more cost-efficient manner. Advocates of privatization claim that industry can provide many government services better and at less cost than the government. But it is obvious that certain activities such as the legislative system and the command of military forces are inherently governmental. These activities represent the core competencies of the American government. One of the biggest challenges to the privatization movement is the question of which federal responsibilities are eligible for transfer to the private sector.

The privatization of military institutional training is an example of an activity that lies within this area of debate. While it is clear that command of the armed forces is an inherently governmental role, many defense-related training activities are not. Flight training is one of these activities. An increasing number of defense authorities around the world are turning to industry to provide pilot training for their forces. Canada and the United Kingdom have contracted significant portions of their flight training programs to the civilian sector. This report looks at outsourcing and privatization, considers the feasibility of privatizing the U.S. Army's helicopter flight training program, and recommends a proper level of outsourcing/privatization for the program's future.

### Regulatory requirements

Before analyzing the appropriateness of privatizing Army helicopter flight training, it is important to understand the associated regulations and terminology. Office of Management and Budget or OMB

circular number A-76 establishes federal policy on performance of commercial activities. It defines a commercial activity as one which "is operated by a federal executive agency and which provides a product or service which could be obtained from a commercial source. A commercial activity is not a governmental function" (OMB A-76 p2). The goal of OMB A-76 is to set forth procedures for determining whether commercial activities should be performed under contract with commercial sources, or if they should be accomplished in-house using government facilities and personnel.

When considering the utilization of a commercial source to perform commercial activities, the government must distinguish between outsourcing specific activities and privatizing entire functions.

Outsourcing is defined as the transfer of a function previously performed in-house to an outside provider (Army Regulation 5-20 p.G-18). Such a transfer relinquishes the risks and responsibilities of the activity from the government to a commercial entity. Privatization actually represents a subset of outsourcing. It is defined as the process of changing a federal government entity or enterprise to private or other non-federal control and ownership (AR 5-20 p.G-20). The key difference between the two is that in outsourced functions the government retains control, whereas through privatization it transfers ownership and control of the enterprise to the private sector. After privatizing something, the government abdicates control of it.

Department of the Army pamphlet or DA Pam 5-20 and AR 5-20 are the Army's publications implementing OMB A-76. As put forth by the Army's assistant chief of staff for installation management or ACSIM, they provide guidance for managing and



carrying out the Army's commercial activities program. Specifically, the two documents establish these controls over Army commercial activities or CA policy:

- ...identify standards for determining if an activity is included in the program;
- ...establish procedures for review of activities to determine if they must be operated by government personnel; and
- ...provide instructions for studies to compare costs of contract vs. in-house performance.

These regulatory requirements identify two key policy elements to apply when considering if an activity is eligible for commercialization through outsourcing or privatization. First, they recognize that certain functions are inherently governmental in nature, are so intimately related to the public interest as to mandate performance only by federal employees, and as such represent the government's core competencies. The second policy mandates that the government shall not start or carry on any activity to provide a commercial product or service if the same can be procured more economically from a commercial source (OMB A-76 Supplement p1-1). In other words, non-core competency functions the government performs must be released to the private sector if a commercial source can provide them more efficiently.

### **The emphasis on commercialization**

During the past decade, DoD has given considerable attention to increasing efficiencies of its non-core competency activities by outsourcing them. Army efforts have traditionally targeted commercializing base operation activities. Examples include a move to privatize utilities on military installations and a recent proposal to outsource military housing management at Fort Carson, Colo., and Fort Hood, Texas.

Potential savings are present in more than base operations. As the number of outsourceable activities increases, the more "inherently governmental" many of them begin to appear. Debates arise over what portion of an activity represents one of the government's core competencies and what portion is suitable for commercialization. One area in which

the line separating inherently governmental from other activities is unclear, is Army institutional training.

### **Rotary wing flight training**

Few will dispute that the lethality demonstrated by Apache helicopter units during the battles of Desert Storm represents one of the Army's core competencies. One can, however, look to civilian flight training agencies and see that the same basic skills that are required to *fly* an Apache are taught

outside the Army. Should DoD consider privatizing of the Army's basic rotary wing flight training? If so, how much of the training can, or should, be commercialized? Could the Army really relinquish control of the program to the civilian business sector?

To answer these questions, let's break down rotary wing flight training into its basic fundamental activities, and then compare outsourcing levels of these activities among the United States, United Kingdom and Canadian helicopter training

programs. We'll also look at how the University of North Dakota's Air Battle Captain flight training program compares with military flight training programs. The emphasis of these comparisons is to highlight the core competencies associated with military helicopter flight training.

### **Flight training activities**

Rotary wing training can be broken down into several basic cost activity categories. These activities generally apply to any helicopter training school. Outsourcing levels at different training schools will be compared in these categories: administration, base operations, aircraft ownership, aircraft maintenance services, flight instruction training, classroom training and flight-line training.

Administration of flight training programs refers to which agency actually controls the rotary wing training program, i.e., the agency, civilian or military, with responsibility for managing program policy. Administrative policy includes such things as participant selection process, academic curriculum and school graduation requirements. Base operations activities are the services that facilitate flight training, such as refueling contracts, maintenance of airfields and upkeep of training facilities like class-

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**DoD has  
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outsourcing**

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rooms, gunnery ranges and hangars. Aircraft ownership recognizes which party in the training program provides the actual aircraft used for flight. Aircraft are generally either owned by the government or provided by an agency under contract with the government. Aircraft maintenance services include scheduled, unscheduled and depot-level maintenance procedures required for the helicopters.

Flight instruction is the actual academic and hands-on training conducted between instructors and students. Instructors come in two types: classroom instructors, who teach flight-related academics like aerodynamics, weather and flight physiology away from the flight line in fixed facilities, and flight-line instructors, the so-called instructor pilots who do hands-on flight training of student pilots in the aircraft. Instructors are categorized by the separate instructional phases they teach, i.e., primary flight instruction, instrument flight training, basic combat skills, night and night vision goggle training, gunnery training and advanced combat skill training. For our purposes, we need consider only two overall categories, basic flight skills and advanced flight training.

### **U.S. DoD Helicopter Training**

Since the Armed Forces first identified military applications for aircraft, they have conducted in-house fixed and rotary wing pilot training. Initially the Army Air Corps maintained responsibility for aviator training. After being redesignated as the Air Force, the majority of fixed wing training became a USAF responsibility. Rotary wing training and operations, however, remained Army functions. Today the Army and Air Force train rotary wing aviators together at Fort Rucker, Ala., while Navy and Marine Corps helicopter pilots receive training at Naval Air Station Whiting in Pensacola, Fla. Our focus here is on the Army's training program.

### **Army and Air Force Initial Entry Rotary Wing Training**

Fort Rucker has been home to Army aviation since the Vietnam War era. Rucker is a DoD-funded, Training and Doctrine Command or TRADOC-controlled installation. It provides initial entry rotary wing training to every Army and Air Force helicop-

ter pilot. The school also provides advanced individual training to enlisted soldiers in aviation-related military occupational specialties.

The Fort Rucker flight training program happens through a mix of outsourced and in-house services. Contractors are performing an increasing portion of the training. Activities outsourced at Fort Rucker include aircraft maintenance services, most of the base operations and much of the flight instruction

training. Army civilian employees conduct classroom flight training and basic flight skill training. Active duty warrant officer instructor pilots' delivery of advanced flight training is the only military in-house activity, and the Army owns the TH-67 training helicopters.

### **U.K. Defence Helicopter Flying School**

In 1992, as part of a private finance initiative to reduce government costs, Britain's chancellor of the treasury began a program of transferring traditionally public responsibilities to the

private sector. Under this initiative, contractors use private-sector capital to procure assets and infrastructure by which to provide services to the public sector. The contractors stand to be rewarded for their investment through government contracts to perform and deliver the services. Underlying the public finance initiatives are the principles that proposals must represent good value for the money and that risk must genuinely be transferred to a private sector contractor.

An early public finance initiative was to provide military helicopter training service through private contractors. On April 1, 1997, the Defence Helicopter Flying School was formed to provide rotary-wing training for all three branches of the United Kingdom's armed forces. The school is revolutionary in British military training. Not only does the school unite all helicopter flight training at one base, but it also marks the beginning of commercial operations among traditional military training activities. Under the school's contract, FBS Limited (a joint venture business formed just for this contract) is responsible for the provision and maintenance of the helicopter fleet and the majority of ground school and support facilities at RAF

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## **Army civilian employees conduct classroom flight training and basic flight skill training.**

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Shawbury, a British Air Force base (U.K. news release 11/5/96 p1). Instructors for the program come from both FBS and the British Defence ministry.

### The Canadian proposal

Canada began outsourcing functions of its air training program in the early 1990s. Faced with increasing budgetary pressures, the government in 1989 announced a plan to employ a civilian operator to provide primary flying training and comprehensive training support services for the Canadian forces. In September 1991, an all-Canadian contractor team led by Bombardier, Inc. won a five-year flying training and support contract. It immediately began converting a portion of the long-established Canadian forces base at Portage la Prairie (now known as the Southport Aerospace Center Inc.) into a facility that would continue its tradition of providing high-quality military flying training, but in a civilian environment.

The Canadians have moved incrementally toward privatization. In July 1992, Bombardier, Inc. opened the Canadian Aviation Training Center. The center's original mandate was to provide comprehensive support for high intensity multi-engine and basic helicopter training programs for the Canadian forces. Operational support included airfield maintenance, aviation weather services, crash and fire rescue, navigational aids maintenance and aircraft maintenance. Student support included housing, catering, recreation and medical services.

In November 1997, the Canadian government announced plans for a \$2 billion contract with Bombardier to provide training aircraft and flight training services for 20 years (Pugliese 11/10/97 p1). Under this contract Bombardier would continue providing base support services for the Canadian training program and also provide training

aircraft. According to Canadian military officials, the plan would save additional government money by getting closer to a completely privatized flight training program, and it would also strengthen Ottawa's bid for a new NATO flight training school in Canada (Pugliese 5/5/97 p1).

This goal demonstrates an interesting twist to outsourcing of military flight training. The Canadian government is not only attempting to reduce its training costs by taking steps to privatize its flight training program. It is also allowing Bombardier, the company that the program is being outsourced to, to develop plans to provide flight training for pilots of allied nations as well as for Canadian pilots. The Canadian program is not yet completely privatized. Canadian forces still provide training instructors, air traffic control and management of the program. The program does, however, appear to be on a course toward eventual privatization.

### Program comparison

As noted, the U.S. Army rotary wing training program and those of the U.K. and Canada have all implemented outsourcing to some extent. Each government pursued outsourcing to reduce costs of its program. The progressively greater level of outsourcing in the Canadian flight training program suggests that some day it may be completely privatized. The American and British programs incorporate outsourcing to achieve efficiencies in supporting activities while maintaining significant military presence in administrative and flight-line training activities. Table 1 compares the three programs.

Comparison of U.S., U.K. and Canadian rotary wing training programs			
	U.S.	U.K	Canadian
<b>Administration</b>	Military	Military	Military
<b>Base Operations</b>	Outsourced	Outsourced	Outsourced
<b>Aircraft</b>			
<b>Ownership</b>	Military	Outsourced	Outsourced
<b>Aircraft</b>			
<b>Maintenance</b>	Outsourced	Outsourced	Outsourced
<b>Flight Instruction</b>			
• <b>Classroom</b>	Outsourced	Outsourced	Outsourced
• <b>Flight Line</b>	Military & Civilian	Military & Civilian	Military & Civilian
<b>Ultimate Goal</b>	Outsource Non-Core Activities	Outsource Non-Core Activities	Complete Privatization

Table 1

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### About the Author

**Karl Kraus** was to be promoted to Major on April 1, in his first functional area 45 (Comptroller) operational assignment, with Third U.S. Army at Fort McPherson, Ga., following graduation from the Army Comptrollership Program at Syracuse University in 1998, where he wrote this article as his student paper. A University of Iowa 1989 Bachelor of Arts graduate and basic branch Army aviator, he serves now as budget analyst for the Army's Central Command, managing contingency funding programs for Southwest Asia.

## In the next issue:

*In the final installment in the next issue, the author will expand the points below in developing observations, conclusions and recommendations for the conduct of U.S. military helicopter pilot training. All three countries' programs are commercialized to about the same extent. The fact that the three governments retain administrative control of their programs suggests that they all see them as inherently governmental in nature. At the other extreme, each training program outsources a majority of its basic activities such as aircraft and facilities maintenance, training support and classroom instruction. It can be concluded that these activities represent common activities, not core competencies, and are suitable for commercialization.*

*The actual ownership of the training aircraft and the degree to which civilian instructor pilots are used represent the areas of difference among the three programs. Both the British and Canadian programs utilize aircraft furnished by an independent contractor. This suggests that outsourcing the ownership of the aircraft may be a potential source of savings for the Army's rotary wing training program. However, Fort Rucker's program is much larger than the other two, and there may be no commercial agency large enough to provide this service.*

*Currently, a battalion's worth of military instructor pilots conduct combat skills training in the U.S. Army rotary wing training program. All basic flight training and a portion of the combat skills training is performed by Army civilian instructor pilots, most of whom are retired Army aviators. By outsourcing the remaining instructor positions in the Fort Rucker program, the government could not only save money but also return about 140 active duty instructor pilots to the field.*

*Increased outsourcing of specific activities at the Army's rotary wing training program is a possibility; privatizing the program at Fort Rucker is not. The complete function of the Army's flight training program cannot be sufficiently performed by any commercial enterprise. Administration of the military's flight training program, like command of military forces itself, is inherently governmental in nature. For this reason, it represents a responsibility that is not suitable to be relinquished to the private sector no matter what the cost.*

# Y2K: Are your investments safe?

by 1<sup>st</sup> Lt. Johnathan M. Hurwitz

Last year was an economic wonder year. Nowhere else in the world than here has a nation experienced market turbulence and yet still enjoyed low interest rates, higher incomes and increased savings rates while keeping inflation low. The outlook for 1999 looks to be the same, except for one small matter in the coming 4<sup>th</sup> quarter, the issue we call Y2K, Year Two Thousand.



Most have heard about Y2K and many know what it is and what it can do if it is not corrected. What most investors are not prepared for is the natural fear within themselves, the fear of the unknown, the what-if factor of investing. Most investors are just common everyday people trying to make a little extra cash. These are the people who are going to make it very big for those who have a true understanding of money and markets during the Y2K time frame.

Will there be an economic disaster due to Y2K? No, not really, but there will be market fluctuations that will be sparked off not by institutional investors or the experienced but by the common players who fear they will lose it all if they stay in. These people make up over 70 percent of the total market, and when they pull out, the pickings will be outstanding.

In the 4<sup>th</sup> quarter of 1999, look for at least a 500-point drop in the market (some estimates are as high as 1500 points). The reason for the drop is that investor confidence in the Y2K fix is low. Many investors still believe that on Jan. 1, 2000, they will check their bank accounts and find zero balances. Many are following the doomsday investment philosophy and planning to pull out and hold cash. That means a likely temporary mass selloff will drive stock prices down to a level where a simple \$5,000 or so investment could grow by 50 to 100 percent in just a year.

The so-called blue-chip stocks are likely to drop 15 to 25 more, and small companies ("micro-caps") will take a heavy hit, but the real feast will take place in those companies in the middle of the investment spectrum and international stocks. When I mean hit, I am not referring to corporate profits, I am referring to stock prices, and that is literally where the money will

be. Many market newsletters are publicizing companies to look for during this time frame, as well as international markets, and these latter should not be dismissed.

As an example, Japan is now in a state of economic turmoil, and many average investors see this as a place not to be. However, stop and look into the firms whose stock has dropped from 25 to 50 percent. Have they disappeared? No! As a matter of fact, they are still operating and many are turning a profit. I myself own an

interest in two Japanese banks and have already made a handsome sum. My point here is that Y2K, though not the same as an economic bust, will have a similar effect in the marketplace; and for a very short time — about 6 months — an investor can pick at the carcasses of those who could not stomach the ride.

If you are concerned about waking up and finding zero balances in your accounts, simply save your statements for the next year. If there is a problem, you have proof positive and firms will make the adjustment. Many are preparing to do so, even though they have the fix in place. This year, 1999, promises to be just as sporadic as 1998. For the rest of the year, invest in increments if you're playing mutual funds. If you're playing the open markets, find your peak and low and stick to it (know your greed factor). Lastly, start saving cash on the side for the 4<sup>th</sup> quarter drop, and get set to jump in with both feet. You will see opportunity clear as day, and you will not get another opportunity quite like this for another millennium.

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## About the Author

**Johnathan Hurwitz**, a former enlisted infantryman and now lieutenant in the Army Reserve on active duty, is the finance and accounting officer and bank liaison officer with the 1<sup>st</sup> Support Battalion, Multinational Force and Observers in Sinai, Egypt. He has a bachelor's degree in business administration from Creighton University. He was president and chief executive officer of his own financial services and investment consulting company before joining the Army. Hurwitz is also author of "Financial Planning: Saving and Investing for Now and the Future," read by more than 10,000 and published in condensed form in RM, 4<sup>th</sup> Qtr 1997.

# “Dis” is mismanagement

by John Di Genio

Human resource management is an integral component of “Resource Management.” If we manage our people as though they were simply “corporate property,” then tensions will increase as morale and productivity sharply decrease. That paves the way for a hostile office environment—with arguments, threats, vandalism and, ultimately, fights, injury and possibly death.

Workplace violence is a national epidemic. Modern technology, downsizing initiatives, reengineering efforts and privatization add stress to an already tension-filled environment. Added pressure is placed on management to expeditiously produce a quality product. The stress and pressure in turn are passed on to over-tasked and fatigued subordinates.

Such an environment regrettably becomes a breeding ground for manipulative, petty bureaucratic “czars” who use unsavory, antiquated tactics to force subordinates to produce, or simply to do their “bidding.” Unfortunately, in today’s stress-filled society, a “Mr. Dithers” type boss is unlikely to find a passive “Dagwood Bumstead” to kick in the pants. Instead, that kind of boss is likely to find a stressed-out employee who is “mad as h... and won’t take it anymore.” Managers have a choice: become targets and victims of office rage or become the facilitators toward creating peaceful and safe working environments through open, two-way communication.

In the past, managers have used (and have gotten away with using) devious tricks to intimidate employees, express displeasure and play irritating “mind games.” Today, such tactics are likely to spark a violent reaction. I have developed the “Seven Dirty ‘Dis’s’ of Mismanagement.” Managers should absolutely refrain from using these destructive tactics, which over time will ruin an organization’s credibility and can ultimately be extremely hazardous to their health, safety and well-being, not to mention careers.

**1. Dishonesty:** A corporate body that permits managers to lie to their employees—through either words or actions—is asking for severe incidents of workplace violence. Employees expect to be treated

as trusted “professionals” and colleagues. As such, they want honest feedback and consistency in applying corporate policies. Lying to employees is paramount to stating that they are not mature (or professional) enough to “handle the truth.” What a slap in the face! Simply, lying to subordinates implies that they cannot be trusted. Furthermore, an office environment built on lies and deception fertilizes the “grapevine.” Employees no longer trust the formal chain of command (i.e., management) for information. Instead, employees become dependent on the informal channels—such as the grapevine—for the “real” news, which is frequently transmitted as harmful office gossip. Any organization built on a foundation of deceit, misrepresentation and lies is like a house of cards—a “disturbance” will cause it to collapse. Managers who lie and mislead employees often find themselves the targets of retribution.

**2. Distrust:** Abraham Maslow placed “security” as a basic need of subordinates in a workplace. “Security” manifests itself in “trust.” Subordinates literally put their careers in the hands of management. They trust that management will take care of their needs for recognition, career progression, advanced training opportunities and the like. A typical office despot will corrupt this and (mis)use the “trust” placed in their hands as a manipulative tool to advance a personal agenda.

Bureaucratic “manipulators” are recognizable as those who “reward” a select few by giving them the recognition of permission to attend career-enhancing training. The manipulative manager depends on “cliques” and tends to categorize employees as being either “with” or “against” the boss. There is no room for “neutrals.” Such managers seem to feel no regret, for instance, about letting an “unfavored” employee’s CP 11 ACCES package gather dust in the in-box, or take no action on a training request.

Manipulative managers may use human emotions to swindle and con employees into doing their bidding for them. Their language is full of popular clichés and jargon, including expressions such as, “It’s me and you,” or, “You’re my ‘horse,’ and I’ll

take *good care* of you,” or, “You’re all that I have,” or, “I’ll go to the grave fighting for you.” A “manipulator” cannot [and should not] be trusted. Any benefits gained by “co-operating” with a manipulator are extremely limited and temporary. Once an abusive manipulator uses an employee for personal gain, the employee is usually unceremoniously discarded like yesterday’s newspaper.

The *Dallas* character J.R. Ewing is a classic example of a “manipulator.” I have found that an organization that refers to itself as a “family” (instead of a “team”) often has a manipulator at the helm. Remember, a “family” infers that there is a controlling, omnipotent “Parent figure” pulling all the strings. Of course, when the manipulator pulls the strings one too many times, the employee usually responds with a violent reaction (think of all the times J.R. was struck—Ouch!).

**3. Disrespect:** Managers demand that subordinates treat them with the respect due their position in the organization. However, respect is a two-way street. In offices run by bureaucratic czars, tyrannical managers still believe they have the absolute authority to speak to subordinates in a condescending manner and tone, use rough hand gestures such as pointing, and, in many instances, use offensive expressions. Consequently, these office despots develop a contemptuous, pompous attitude toward their subordinates, much like a king of old. Subordinates find this demeaning, annoying and downright disrespectful. As such, this practice often sparks complaints and grievances and eventually it causes tempers to flare and erupt as violent actions.

Managers may confuse “respect” with “fear.” Petty micro-managers tyrannically use fear and intimidation (e.g., a poor performance rating, denying an overseas tour extension) to influence and control subordinates. However, as Aleksandr Solzhenitsyn accurately pointed out, once the basis of the “fear” has been removed, the person employing the “fear” no longer has any control over the subjugated. “Fear” is temporary; it doesn’t last. “Respect” is perennial. “Respect” causes subordinates to legitimize the manager’s authority to direct, guide, supervise and control them. An office

tyrant never enjoys this kind of legitimacy; such a person never has it (since organizational tyrants are never respected). Instead, the office czar is like a “mob boss,” and, like any gangster, has to keep looking behind for enemies.

**4. Disintegrate:** Employees expect their supervisors and managers to be knowledgeable, competent and effective leaders. As such, leaders should be able to build strong, lasting, cohesive teams of professionals who can take on any task and accomplish the

mission at hand. However, inept managers tend to shy away from building such teams. Instead, they prefer to assemble less knowledgeable, junior graded people to work for them because inept managers are threatened by employees who know as much as (or more than) they do. They are also threatened by a team’s cohesiveness. Strong esprit de corps within a team is a threat to the supervisor’s absolute authority. For this reason inept, petty-bureaucratic czars feverishly

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over.**

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work to replace gifted and talented team members with lesser-qualified and perhaps incompetent, lackeys. Disintegrating a workable team adds undue stress to the remaining members and the team-building process has to begin all over. There is added tension when remaining team members become uncomfortable working with less knowledgeable people who are among the boss’s “chosen few.” The feelings of frustration, disillusion and anger are increased when a “disintegrator” disrupts the working relationship of a firmly established team. A routine like this often builds an office environment receptive to incidents of workplace violence.

**5. Disinterest:** Abusive managers typically are interested only in nurturing their own careers and tend to focus on people and items that can help them professionally or socially. Other daily office business matters are typically seen as “must-do” annoyances and inconveniences. Often such business matters concern subordinates’ wellbeing. Managers in this category often don’t listen attentively to what an employee is trying to communicate, but instead will continue to pound away at a keyboard, read a newspaper, yawn, or constantly look at the clock on



the wall, conveying to the subordinate a lack of interest. Worse yet, the employee may get the feeling that the manager simply doesn't care. Open, two-way communication is key to diffusing a potentially serious [violent] situation. Managers not interested or who seem bothered by listening to what employees have to say will frequently find themselves in a hostile, confrontational situation. Disinterest fuels the violent fire of discontent.

**6 Disloyalty:** Loyalty is the basic foundation of any organization. Without loyalty, the entity will disintegrate and disappear. Managers at every level demand and expect fidelity, allegiance and devoted, unswerving loyalty to the organization's philosophy, traditions, ideals and customs from their subordinates. Unfortunately, office dictators fatuously believe that their loyalty extends only to superiors and not to subordinates. Bosses disloyal to their subordinates can usually be found blaming subordinates for less than desirable outcomes. They often take credit for successes

while blaming others (often subordinates) for shortcomings or outcomes with less than desirable results. Offices headed by supervisors disloyal to their subordinates typically have high employee turnover with long periods of hire-lag (vacant positions). Another tell-tale sign is extensive "memorandum for record" folders documenting controversial incidents.

**7 Dis-secretive:** A favorite pastime of petty bureaucratic czars playing head-games with subordinates is the withholding of information. "Dis-secretive" managers foolishly perceive power and self-importance through acquiring "key office secrets." As such, they tend to overestimate and excessively elevate their own importance or position in the "pecking order" within the organization. In reality, with today's advanced electronic technology, the supposed "secrets" these managers try to keep often escape through the informal organization moments after (or before!) the manager knows of them.

Petty bureaucratic bosses use "dis-secretive" behavior to pompously and aloofly drop hints and pass innuendoes about an adverse [personnel] action to distance themselves from any type of employee

repercussion. These managers often speak just above a whisper, within earshot of a targeted employee, to make antagonistic comments about the employee's career in the organization, performance rating, tour extension, and so on, as a means to cowardly and impersonally relay displeasure or controversial information.

These despots have an insatiable hunger for information; they regularly use informants to keep them updated on the latest rumblings and grumblings

within the organization. Consequently, "dis-secretive" managers share very limited information with only a chosen few, since, in their minds, information is power.

These pusillanimous, megalomaniacal managers polarize a workplace into bickering factions. Eventually, employees tire of such "head-games." Worse yet, for the "dis-secretive" manager, employees may seek revenge by transmitting "dis-information" through informal channels—in hopes the office despot may become embarrassed by presenting such phony

information as fact in formal settings. A workforce that has internal strife, passes "dis-information" through networks, has incompetent individuals in leadership positions and is ready to lash out at the boss is very likely to have violent confrontations.

Practicing the "Seven Dirty 'Dis's of Mismanagement" is a sure way to shorten a manager's career. Additionally, behaving like a J.R. Ewing, Ebenezer Scrooge or Mr. Dithers may often cause employees to react violently. Managers need to realize that there are costs to being an abusive, petty, bureaucratic czar: high employee turnover, low productivity, administrative complaints and grievances, litigation, poor morale and the constant threat of a violent episode in the workplace. Managers have the ability to diffuse violent situations through confidential, frank discussions. Attentive listening and open dialog with subordinates are effective means for nipping workplace violence in the bud.

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#### **About the Author**

*John Di Genio, a prior contributor to RM, is a Program Analyst with U.S. Forces, Korea and Eighth U.S. Army. He writes frequently on work place issues.*

# Three pillars of RM success in contingency operations

by Maj. Mike Scudder and Maj. Scott Basnet  
and Capt. Patrick Lamb and Capt. David LaCasse

The Third U.S. Army and U.S. Army Central Command Comptroller office recently exercised its capability to support a real world contingency operation. During operation Desert Thunder, members from Third Army deployed from Fort McPherson, Ga., to a hastily established headquarters at Camp Doha, in Kuwait. The mission was simple: establish an Army headquarters that could accept ground forces and conduct ground operations as directed by the U.S. Central Command. As the mission evolved, Third Army headquarters became the nucleus for forming a combined, joint task force. The comptroller mission was to manage contingency resources in support of deployed U.S. ground forces.

A contingency operation is by far the most challenging thing a military RM gets to do. The standard tools for comptrollers to conduct a deliberate financial resource process are not easily adapted to contingency operations. Just the same, warfighting resource managers must develop cost estimates, budget and allocate major command or MACOM-provided funds, and execute the budget in an extremely condensed and emotionally charged time frame.

Prior to Desert Thunder, the U.S. Army Central Command Comptroller office developed an RM concept to identify operational costs for deploying units.

We developed this concept to lend a structure to RM operations during the contingency. These procedures worked especially well when time was short and we had to satisfy immediate needs of both the deployed troops and our higher headquarters—in this case U.S. Army Forces Command or FORSCOM. We based the concept on three RM tools: a contingency phased operating tempo or OPTEMPO model, a budget template and a standardized accounting and reporting structure. These tools proved beneficial to the office during the deployment. We were fortunate to be able to assess the concept's viability during last year's Bright Star '98 exercise in Egypt and in local internally generated exercises.

## **Contingency phased OPTEMPO model**

This first of our three RM tools we used to establish the initial cost estimate. The model subdivides into three categories, strategic movement, direct operating tempo and indirect operating tempo. Cost data came from several sources: planning factors for aircraft use from U.S. Transportation Command or TRANSCOM, estimates for ground units from U.S. Army Cost and Economic Analysis Center or CEAC and actual experience in the area of responsibility from similar situations. This model affords the field RM a tool to estimate operating costs throughout an entire military operation.

**Strategic movement.** During any deployment, the major cause or driver of cost is moving people and equipment. The model estimates movement costs based on equipment short tons and passengers. These elements give needed information to identify an economic mix of aircraft. Each aircraft type has a unique cost based on actual operating hours. Entering the number of aircraft by type and operating hours allows the model to provide a cost estimate for moving equipment and personnel. This includes operating costs originating from the initial departure point of the aircraft to its final destination. We used an estimate of 50 hours per aircraft (in effect, a round trip).

Civilian air cost is a second component of the air costs. Costs are based on a contract-quoted rate that is published annually by TRANSCOM. During the operation's sustainment phase, we estimated the costs of the air movement of cargo resupply costs. This may also extend to sea movement costs.

**Direct OPTEMPO** costs drive the sustainment phase costs. Direct OPTEMPO refers to costs of ground and air operations and is measured respectively in miles and flying hours. Using historical training cost data from CEAC, the model provides a cost per mile/hour for each type of Army ground and air unit (from an entire brigade to an individual piece of equip-

ment). The calculation multiplies the estimated operating miles and air flight hours by a cost factor established for each type unit. Initially we estimated a monthly operating tempo of 200 miles for 4 months and flying hours of 25 hours per aircraft (eventually reduced to 17 hours). Given that the baseline cost estimates were for domestic U.S. training conditions, we applied a cost differential to account for unique environmental conditions that increased or decreased equipment wear and thus actual operating costs. Identifying and applying a cost differential is admittedly an art. We initially applied factors for ground and air operations and modified these factors during subsequent budget updates to FORSCOM.

**Indirect OPTEMPO** is the third component of the first tool. The costs of maintaining the force stretch across every operating phase. The model captures indirect OPTEMPO by commodity. Our commodity categories—engineer support, transportation, general supplies, contract services, medical support, force protection, environment and civilian labor—closely follow those established by FORSCOM's contingency cell, and that has simplified our reporting requirements to them. Using past historical cost data (based on actual costs for task forces deployed in operation Intrinsic Action), each commodity is costed per soldier per day. The sum of the daily costs by commodity yields the total daily cost per soldier.

Using the common cost-per-soldier-per-day factor in the model enables an RM to provide quick estimates based on operating days and personnel. The estimates are unique to each contingency

operation and will vary depending on host nation support agreements. We are fortunate in Kuwait to have a strong support agreement, which reduces total operating costs.

### **Budget template**

This second of our three major tools standardizes budget format for submitting requirements up the chain and for use by our subordinate units. Contrary to popular

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**The goal was  
to develop a  
common applica-  
tion that could  
cover the  
entire spectrum  
from peace  
to war.**

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notion, funds are limited and controlled during contingency operations. Higher headquarters requires estimates for resources they need to find and provide. During Desert Thunder, the U.S. Army Central Command Comptroller's ability to consolidate, validate and lay out mission requirements with available resources to the task force commander and to FORSCOM depended on our ability to quickly define necessary funding data. The budget template was our key to doing so. Here is how it worked:

- ♦ **User friendly format.** The template uses Microsoft Excel spreadsheet software. The format design allowed us to clearly align user commodities to submissions. We also worked hard to express accounting jargon in simple words.

- ♦ **Easy data entry.** In the template design we used data fields that were easy to understand and simple to use yet still displayed in-depth functional information clearly and concisely.

- ♦ **Commodity delineated requirements.** We designed the template from previous deployment experience, principally on Bright Star '98. We also subdivided some commodity categories into subcategories, consistent with past operations. We aligned the subcategories to major staff proponents who then became responsible for validating major parts of the budget, i.e., communications, engineer projects and automation requirements. The categories became a staff action officer checklist, which simplified resource programming. The goal was to develop a common application that could cover the entire spectrum from peace to war. The budget template enabled us to standardize operations, train as we fight, create efficiencies and thereby simplify the whole operation.

### **Standardized accounting and reporting structure.**

This final of the three tools aligns each commodity to the financial systems. Having completed the budget estimate and allocated funds, we had next to capture and record fund obligations. For that event, prior to deployment we designed an easy-to-use accounting system that could track commitments and obligations to simplify our reporting requirements. We took care in the design to make it flexible, adaptable and supportive for both the RM and the war-fighter. To do that, the system had to:

- ♦ Permit modifications, given the unknowns of contingency operations.

- ♦ Make sense to the operator. We had to steer clear of phrases like “MDEPs” and “AMS codes” when briefing commanders, and express these and other esoteric RM terms in language they understood.

- ♦ Meet reporting requirements. Our accounting structure and other tools aligned with FORSCOM’s reporting categories, allowing quick and accurate reporting to the commanders of U.S. Army Central Command, FORSCOM and U.S. Central Command.

- ♦ Align with the Budget Subcategories, i.e., strategic movement and direct and indirect

OPTEMPO. Validation of the model was important, and the accounting structure supported the cost reporting based on the model’s major categories.

- ♦ Be easy to use. Fast reporting is a result of steady and deliberate work. Being able to give attention to detail while remaining focused on our structured plan has allowed decision-makers to make informed RM decisions.

The three RM tools for contingency operations—contingency-phased OPTEMPO model, budget template and standardized accounting and reporting structure, were instrumental in our great

resource success during Desert Thunder. They continue as available and usable RM tools for any subsequent contingency operation. When applied effectively, the tools provide a field RM the means to succeed in the most challenging military operational environment.

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### **About the Authors**

*All four officers are assigned to the Third Army/U.S. Army Central Command Comptroller office at Fort McPherson, Ga. This article is a result of their recent deployment to Kuwait for operation Desert Thunder.*

## **Multi-disciplined Financial Analyst Program update**

In the 4<sup>th</sup> Qtr ’98 RM issue (p.16) we described the concept of the multi-dimensional financial analyst. Today, comptroller careerists are finding themselves required to be skilled in more than just their main functional area. We must be multi-functional and multi-dimensional, capable of analyzing and handling various situations. The Army Comptroller Proponency Office is spearheading the development of the multi-disciplined financial analyst program which will encompass the design of a career model including training, education, experience, professional development and accreditation at various levels of one’s career.

This program is being developed in a two pronged approach; first for the new Army careerist and later, for members of the current workforce. To date, core competencies with associated sample formal training to help achieve these competencies have been drafted. These competencies are based on the Joint Financial Management Improvement Program, DoD and Army core competencies and are being staffed with all levels of the Army financial management community from headquarters to installations. In the near future, these competencies will be available for comment on the Army Comptroller Proponency home page. The next step is to design the career path beginning with GS-5 through senior executive, delineating the types of training, experiences and education required at the various stages of one’s career to receive accreditation.

The financial analyst project team recently met with private industry experts from Xerox, IBM, JCPenney and Chase Manhattan to examine their best practices in this area. Many large corporations ensure their employees are multi-faceted by exposing them to myriad different experiences and training. We are looking to learn from them the pros and cons of their experience. Also, we will begin a series of visits to some RM offices to share our concept and get input from current careerists.

If any individuals or offices are currently organized under a multi-disciplined financial analyst concept, we would like to hear from you. For further information or suggestions on this project please contact: Ms. JoAnn Van Beusichem, DSN 227-1985, (703) 697-1985, email [vanbejo@hqda.army.mil](mailto:vanbejo@hqda.army.mil) or Mr. Bill Guillaume DSN 227-1983, (703) 697-1983, email [guillwj@hqda.army.mil](mailto:guillwj@hqda.army.mil). Periodic updates on the progress of the financial analyst concept will be posted to the Army Comptroller Proponency Home Page ([www.asafm.army.mil](http://www.asafm.army.mil)) and in subsequent editions of this publication.

# Fiscal Year 1998 Resource Management Award Recipients

by Michael G. Mowry

The Army's Resource Management Annual Awards Program made public some of the finest Army stewardship achievements in fiscal year 1998 from field and staff resource managers. Competition was announced last August for recognition of the year's most noteworthy accomplishments in each of several civilian and military RM categories for organizations, teams and individuals.

Senior subject-matter expert panels evaluated the award nominations by category. Top-ranked individuals then competed for the capstone individual awards: the ASA (FM&C) civilian award, the ASA (FM&C) military award and functional chief representative special award. The program features awards at two levels, "major command and above" and "below major command."

Honorable Helen T. McCoy, Assistant Secretary of the Army for Financial Management and Comptroller, recently announced these 1998 award recipients:

## **ASA(FM&C) Civilian**

Eula L. "Jeannie" Gray of the Army's Special Operations Command, capped 5 years as the 160<sup>th</sup> Special Operations Aviation Regiment's deputy comptroller with a year of outstanding contributions. She excelled in leading a seamless 6-month transition of regiment finance and accounting records to a new operating location in Rome, N.Y. She gained special recognition from Defense Finance and Accounting Service by becoming the only below-major-command RM given direct access

to its databased Accounting Reconciliation System or dARS. Her oversight of complex funding programs such as the regiment's unique flying hour program, and an impressive record of turn-in credits for depot-level repairable and intensively managed aviation items, saved the command millions of dollars. The savings traced directly to Gray's expert and loyal performance of duty.

## **ASA(FM&C) Military**

SSgt. Donna M. Laverdure, White House Communications Agency, Washington, set new standards as a role model of Army professional and physical excellence. Her six soldiers provide pay and travel support to the 850 people who keep the president, vice president and First Lady "wired" everywhere in the world. They processed 5,000 travel vouchers for \$5 million, 99.9 percent right, handled 4,000 military transactions, 99 percent right, issued \$650,000 in airline tickets and disbursed \$540,000 in travelers' checks with no losses.

Laverdure consolidated agency credit accounts from 17 to 4, launched a travel voucher tracking system that cut process time and inquiries by more than half, and set up first-of-their-kind joint service pay and one-stop travel service offices. She also scored a near max on the Army physical fitness test and her peers inducted her into the agency's elite all-star team.

## **Functional Chief Representative Special Award**

Jeffrey E. Hannahs of the Army

Audit Agency's Fort Meade, Md., field office merited special recognition in supporting the Comptroller Civilian Career Program, CP-11, for the thorough, scholarly and detailed survey he led to assess accuracy of the careerist personnel database. Using sophisticated sampling techniques and mobilizing intermediate command support for the effort, he achieved a high rate of reliable responses. Hannahs arrayed his data in graphic displays that pinpointed error densities, provided normalized comparisons with the general population and most importantly made sense to senior decision-makers. The FCR hailed his report as the best "handle" we had ever had on the career program database and used the results to foster a massive clean-up project.

## **Outstanding RM Organization (major command and above)**

The Army Materiel Commands finance and accounting division in Alexandria, Va., surpassed AMC's own goal of setting the Army standard for control of travel card delinquencies. By using command-level rebates to supplement subordinate activities' travel programs, this 12-person team motivated AMC's 15 separate commands and agencies to cut delinquent dollars by over one-third and attain a new Army-low delinquency rate of less than one-third the Army average.

## **Outstanding RM Organization (below major command)**

Directorate of RM at the Army's Aviation Center at Fort

Rucker, Ala., stripped down 12 percent more beyond 44 percent workforce cuts since 1990, to compete effectively in a labor source decision and still carry out its entire organizational mission.

They developed and used an effective full-time equivalent forecasting model to minimize hire lag, maximize available end strength utilization and execute at 99 percent. They increased aircraft repair shop capacity to fully exploit the flying hour program and reduce contract aircraft maintenance cost by 12 percent. They cut travel-card delinquencies 40 percent, returned \$30 million in overall savings to their parent TRADOC and trained up in several new systems, networks and software—all despite moving the entire directorate to a new building at midyear.

#### **Outstanding RM Team (major command and above)**

An Army Audit Agency team from Alexandria, Va., to audit Corps of Engineers financial statements used a revolutionary whole-system test rather than statistical sampling, to show that the Corps' FM system, could in fact produce auditable annual statements. The team selected Corps Southwestern Division statements as a representative portion, showed that much appeared auditable, and then aggressively and widely publicized the results. By building rank-and-file confidence that the Corps goal of an "unqualified" (clean) report was feasible, the team won client trust at all levels. That sped up and broadened their access to data, strengthened their audit results, gained favorable attention from DoD and the General Accounting Office and set the example for a similar Navy audit of Marine Corps financial data.

#### **Outstanding RM Team (below major command)**

The Special Operations Support Command RM office of the Army's Special Operations Command at Fort Bragg, N.C., "came of age" after three years since stand-up, establishing a comprehensive budget execution tracking process and an aggressive strategic investment plan. The office successfully marketed a \$2-1/2 million unfinanced operating requirements petition, and it won permission to invest an additional \$1.6 million in commercial, off-the-shelf signal equipment that made possible \$2.4 million, or half again as much, in turn-in credits.

#### **RM Author of the Year (below major command)**

William Washington with AMC's Communications and Electronics Command at Fort Monmouth, N.J., won the annual Defense Cost Analysis Symposiums "best paper" award in February 1998 for "*Subcontracting as a Solution not a Problem in Outsourcing*." His report, DTIC number AD-A333888, explained how taking responsibility for what used to be subcontracted functions (i.e., being one's own prime contractor) can reduce program costs and improve performance and customer satisfaction. He advocated applying the subcontracting successes of several large American corporations to the government outsourcing process.

#### **Civilian Comptroller (below major command)**

Eula L. "Jeannie" Gray won the ASA(FM&C) Civilian Award for her accomplishments in this category, described above.

#### **Civilian Analysis and Evaluation (major command and above)**

Elizabeth K. Manners, with the Army headquarters program

analysis and evaluation directorate, distinguished herself as a practical RM negotiator and expert consensus builder. As Army coordinator for a Defense Management Council overseeing implementation of defense reform initiatives, Manners spotted resource issues early, coaxed willing support from diverse interest groups and successfully advanced the Army's interest in all but two of 61 different issues. Her results set new standards for effective staff work.

#### **Civilian Analysis and Evaluation (below major command)**

Berneta L. Dupree, with AMC's Communications and Electronics Command at Fort Monmouth, N.J., vastly improved the methodology for estimating cost and risk of developing a joint-service night vision infrared sensor weapon. Her estimate of cost at completion was adopted as the joint program position and sent forward. Air Force and Navy participants now use her costing methods. The results are a uniform costing approach, clearer understanding of the performance data and tighter control over cost growth in this high-risk program.

#### **Civilian RM (major command and above)**

Wanda M. Brewster of the Army's Special Operations Command at Fort Bragg, N.C., provided valuable RM support for the largest element of the command's deploying forces. The processing of temporary transfer orders, travel orders, supply requisitions and equipment proved a substantial and formidable workload.

Brewster's thorough and patient coordination among organic staff elements, overseas operations officers and deploying forces made possible a flawless execution of the mission. Superior tech-

niques she developed for budgeting, monitoring and processing of expenditures reduced initial requirements \$200,000, cut obligations 25 percent from those of the previous rotating force, and now serve as the standard method for supporting deploying forces.

#### **Civilian RM (below major command)**

Sandra Babb in the Fort Benning, Ga., RM directorate, set a new standard for excellence in manpower management as chief of a 3-analyst team. In 1998 she was primary contact for several of the most significant manpower reductions to hit the installation in years. Her detailed analyses and incisive recommendations on how and where to take reductions with least impact vastly improved the quality of command group decisions. Her sharp pinpointing of position coding errors substantially reduced the number of authorizations subject to scrutiny. Babb's competent vigilance helped preserve Fort Benning's authorized strength and so its mission capability.

#### **Civilian RM in an Acquisition Environment (below major command)**

Karen Kunkler of AMC's Tank and Automotive Command in Warren, Mich., improved the quality and verifiability of cost-saving data for the Supply Management, Army Operations and Support Cost Reduction program.

Her system provided for identifying parts information sources, field supply demand rates and end-item densities and for identifying, analyzing and tracking factors affecting cost. Her largely homegrown and tested automated application won support and approval from the AMC senior leadership and is being implemented on a command-wide basis.

#### **Civilian Education, Training and Career Development (major command and above)**

Stephen T. Bagby of the Army's Cost and Economic Analysis Center in Falls Church, Va., developed and attractively presented imaginative Army cost management doctrine and training material in furtherance of the Government Performance and Results Act. Working with a renowned contract instructor, Bagby produced a program of self-taught instruction on compact disks in how to become a "cost warrior." Advancing the notion that measurement, management and reduction of costs is everybody job, Bagby's CD program has reached 5,000 Army resource, installation, operational and financial managers and is a staple of the orientation course for new Army installation and garrison commanders.

#### **Civilian Accounting and Finance (major command and above)**

Juan Dejesus of the Army's Finance Command in Orlando, Fla., as Army headquarters contact for the Defense Civilian Pay System, expertly coordinated and oversaw conversion of 244,000 employee accounts Army-wide to the new system. He successfully resolved numerous thorny issues peculiar to overseas locations by effectively educating and garnering support from senior leaders. As a result, the new system was put in place with a minimum of customer problems.

As stored-value or "smart" personal money card contact, Dejesus distinguished himself as an outside-the-box problem solver in establishing the Army as defense leader in implementing this new personal finance program for soldier recruits. His actions

enhanced Army quality of life among civilians and soldiers, bringing to bear a more responsive, efficient and effective pay system.

#### **Civilian Accounting and Finance (below major command)**

Sherry G. McCoy of the Army's Signal Command at Fort Huachuca, Ariz., developed and presided over an effective transition of finance and accounting support to a California operating location that was noteworthy for its friendliness and cooperation. McCoy's set of six quantitative and easily measured performance indicators was proactive in catching warning signs before they became big problems. As a result, after-the-fact confrontations between her command and the Defense Finance and Accounting Service disappeared; trust and confidence returned; and the parent Forces Command was so impressed they planned to use the process at other operating locations. McCoy's work earned her an Employee of the Quarter honor and a Commander's Award for Civilian Service.

#### **Civilian Budgeting (major command and above)**

Rosemary Thompson of the Army's Special Operations Command at Fort Bragg, N.C., turned an end-of-'97 command supply support activity account deficit of 3/4 million into a 3/5 million surplus a year later. As team leader of the local standard Army retail supply system management cell, she devised innovative processes that overcame what had been regarded as insurmountable procedural impasses and got the system to work right. The result was a \$1.4 million positive value change in the command supply account's value, wrought

through a pervasive problem correction assault which averted catastrophic lapses in RM support to the command. Thompson also played a major role in transitioning the command's finance and accounting support to a remote operating location.

#### **Civilian Budgeting (below major command)**

Stanley D. Payne, Fort McClellan, Ala., budget officer, turned a developing catastrophic fiscal failure into his parent command's TRADOC most notable installation budgetary achievement for the year. Unable to replace the senior one-fourth of his budget staff who had left, Payne stayed the course, applying exceptional knowledge and initiative. He recycled a million dollars in dormant and unused funds, recouped another \$1.6 million in savings, averted Antideficiency Act violations and scored 100 percent utilization in each of 12 separate single-year accounts. His fiscal heroics turned imminent failure into what his command called its best budget story.

#### **Civilian Auditing (major command and above)**

Gregory A. Procopi, an audit supervisor with the Army Europe Internal Review and Compliance Office in Germany, identified over \$5 million in agreed command monetary benefits from his staff's 37 audit recommendations. He wrought extraordinary productivity from his seven staff auditors through innovative audit manager instructions, continuous training and mentoring and an objective-focused milestone tracking system. His audit work in real property maintenance accounts so impressed the Director of Public Works that he invited Procopi to speak at their annual conference.

Through his significant accomplishments, Procopi renewed trust and confidence in the auditing profession and measurably advanced the cause of public stewardship.

#### **Civilian Auditing (below major command)**

John E. Riley of the Army Materiel Command's Communications and Electronics Command at Fort Monmouth, N.J., serving as the Y2K coordinator for all of AMC, advanced the command a quantum leap toward total compliance. Following methods, guidance and instructions from senior audit agencies, Riley devised a command-wide program for quality-checking all manner of hardware and software everywhere throughout AMC to be sure no computer or program would interpret the year 2000 as the year 1900. AMC's chief Auditor hailed Riley's major role toward getting Internal Review and Audit Compliance into the forefront of Y2K compliance efforts. His single, standard infrastructure audit program ensured command uniformity and greatly assisted AMC business system leaders pursuing complete compliance.

#### **Civilian Cost Analysis (major command and above)**

Edward F. Glavan, Jr. of Army European headquarters earned high praise from defense acquisition officials for a mathematical model he developed to quantify the dollar value of individual logistical support being provided by the military to American contractors in Germany. Individual logistical support will soon no longer be allowed by the status of forces agreement. Others had tried but not ever succeeded in devising a consistent, reliable and defensible method for calculating the per capita cost and value of such

support. Using data from 60 German organizations to evaluate 23 categories of support furnished 1,000 U.S. contractors, Glavin showed the cost per individual to be 23 to 29 percent less than the current Army estimate. That is a potential annual saving in additional contract costs of \$6 to \$11 million, depending on the Euro/dollar exchange rate.

#### **Military Comptroller/RM (below major command)**

Capt. Shawn Bergquist of the 75<sup>th</sup> Ranger Regiment at Fort Benning, Ga., ran practically a one-person RM shop to support the whole regiment and its commander. With one non-finance enlisted soldier as assistant, Bergquist performed virtually the full range of field comptrollership and RM activities, tasks and document submissions usually done by a half-dozen professionals. He designed and implemented a unique automated travel control system which electronically generates requests for orders, submits settlement vouchers and significantly improves accuracy and control. He won respect and influence by giving the regimental commander straight, frank and accurate financial management advice. He proved adept at justifying and executing additional funds for unfinanced requirements and at solving vexing resource problems through ingenious analysis.

#### **Military Analysis and Evaluation (below major command)**

1<sup>st</sup> Lt. Jennifer A. Sinclair of the Army Reserve Command's 94<sup>th</sup> Regional Support Command at Fort Devens, Mass., found a way to pay charged airline ticket bills twice as fast by having her own support command do it instead of Defense Finance and Accounting Service. Bills were paid in less than 30 days as opposed to the 58



it was taking before. Her comprehensive yet easily understood procedures preserved billing verification and internal controls, speeded up disbursement and obligation adjustments and substantially raised fund reutilization and end-of-year execution. The parent U.S. Army Reserve Command enthusiastically endorsed Sinclair's procedures for use by its other regional support commands.

#### **Military RM (major command and above)**

Capt. Thomas J. Barsalou of the Army's Special Operations Command at Fort Bragg, N.C., designed a computer-screen mouse-click menu to give staff members throughout the command convenient network access, through a single source, to information on travel policy, precedent, forms and regulations. The data includes per diem rates, how to complete order and settlement vouchers, the forms for order and settlement vouchers and points of contact for status checks.

Barsalou's convenient and user-friendly application has eliminated the need for soldiers and employees to search the internet for required travel information and has generated an estimated 10 workyears saved per year in time, effort and frustration.

#### **Military RM (below major command)**

SSgt. Leonard S. Rafanan, of the 7<sup>th</sup> Special Forces Group at Fort Bragg, N.C., distinguished himself again last year as the group's budget noncommissioned officer in charge. As acting group comptroller during a joint training exercise among U.S. and Puerto Rican units, Rafanan gained command recognition for his competent RM advice and outstanding achievement while fulfilling an officer role. Following the exercise, he professionally and tactfully oriented the new group comptroller officer. Finally, despite the upheavals of an unexpected half-million dollar budget cut and the transition of finance and accounting support to a distant operating location, Rafanan led the rest of the parent Special Operations Command's groups in successfully closing the fiscal 1998 budget.

#### **Military Accounting and Finance (major command and above)**

SSgt. Donna M. Laverdure won the ASA(FM&C) Military Award for her accomplishments in this category, described above.

#### **Military Accounting and Finance (below major command)**

Maj. Quinton Fulgham of the

Army Reserve Command at Fort McPherson, Ga., was exemplary in successfully implementing the standard Army retail supply system and in managing its impact on funding. He fielded the supply system's conversion, hosted command-wide training in the system and devised practical solutions to unique systems and accounting problems in order to successfully close the fiscal year. He capitalized on and exploited Active Component lessons learned in converting supply operations to the system, particularly the nagging duplicate obligation problem that had plagued other commands. Due to Fulgham's exceptional expertise and focus, USARC turned in a distinguished performance in converting to the standard Army retail supply system.

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#### **About the Author**

*Michael G. Mowry is an auditor with the U.S. Army Audit Agency currently on a developmental assignment in the OASA(FM&C) Proponency Office and serving as program manager for the PRMC, PMMC, Developmental Assignments and the Mentorship and Awards Programs. He attended Pennsylvania State University and University of Maryland, majoring in accounting and management.*

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# Centralizing the disbursing missions within DFAS–Indianapolis

by Bonnie Thomas

The current environment of shrinking DoD resources challenges the leadership at every level to develop innovative ways to reduce cost while improving the level of customer service. In October 1995, the Director, Defense Finance and Accounting Service, Indianapolis Center established a team to investigate the feasibility of centralizing DFAS-IN disbursing functions in one office at Indianapolis.

The team determined that by utilizing existing DFAS-IN communications and the standard Army disbursing system, or SRD-1, centralized disbursing could be effectively achieved. With the support of DFAS Headquarters, a plan was developed and funded to upgrade the high-speed check printing equipment already being used to print military pay checks at the Indianapolis Center. The team determined that significant improvements could be realized by upgrading this equipment and populating the centralized SRD-1 disbursing system with payment files generated by DFAS-IN Operating Locations. Not only were enhancements possible in the generating of checks and EFT payments, but the team also discovered that gains could be realized in a wide range of related functional areas, such as achieving a tremendous reduction in transactions for others.

The centralized disbursing concept centered on exchanging information electronically between the activity authorizing the payment and the disbursing activity in DFAS-IN. Travel and vendor pay transac-

tions were to be uploaded from the automated travel system, or IATS, and the vendor pay system, known as CAPS, into the DFAS-IN centralized disbursing system on a daily basis. The following business day the checks, electronic funds transfer payments, and the advice of payments are prepared and distributed.

After the payments are executed the updated files are downloaded into IATS and CAPS to provide the entitlement systems a complete record of the payment. In addition, the accounting bridge files create a report of disbursements, by appropriation, to the operating locations that operate the fiscal station number, or FSN, cited in the voucher. The Deputy Director for Central Disbursing, or DDCCD, submits the monthly consolidated Statement of Accountability, 302A, to departmental accounting while the FSN submits the Statement of Transactions, 304T. To ensure the end-of-month expenditure reports reconcile, DDCCD balances the bridge files each day.

The original concept for centralized disbursing became the focal point for developing follow-on systems integration initiatives and is instrumental in our ongoing efforts to solve many of the problem disbursement issues.

A significant change occurred during the development of centralized disbursing. An Advice of Payment, known as AOP, was needed to replace the travel and disbursement vouchers that previously accompanied the payment. The team designed a one-to two-page AOP that satisfied the payee's need for information concerning the payment, without overburdening the voucher with extraneous information useful only to the finance community. Samples of the vouchers were provided to a large number of travelers and vendors via a formal survey for their comments. Responses to the survey were exceptionally positive and indicated that the team had achieved the goal of providing payment information the payee desired, in a reader friendly format.

In January 1997, the Directorate for Centralized Disbursing officially became a separate directorate within the Indianapolis Center. During a reorganization in November 1998 the organization was renamed as the Deputy Director for Central Disbursing.

One great advantage of centralized disbursing is that it provided an opportunity to automate many

DEFENSE FINANCE AND ACCOUNTING SERVICE		
Indianapolis Center		
Monthly Business Volume		
(Dec 98)		
	No. of	
	Payments	Dollar Value
« Vendor Pay	104,196	\$1,305,907,768
« Travel	172,421	83,313,645
« Military Pay	2,233,703	1,220,287,512
« Bonds	91,953	6,909,750
« OPAC	4,294	560,002,758
« Other	5,236	93,124,523
<b>Subtotal</b>	<b>2,611,703</b>	<b>\$ 3,263,545,956</b>
« Transportation Pay		
(Check Printing)	4,392	20,638,673
<b>Totals</b>	<b>2,616,095</b>	<b>\$ 3,284,224,629</b>
INDIANAPOLIS CENTER - CENTRAL DISBURSING		

functions that had previously been accomplished manually. The labor intensive effort experienced in every disbursing office, of matching, folding and manually inserting the voucher and the check in an envelope, was eliminated in the centralized environment through leading edge technology. Upgraded high-speed equipment allows DDCCD to produce and deliver payments into the mail or electronic systems the day after the request for payment is input by the authorizing activity. Taking advantage of redundant equipment production lines has enabled us to meet this goal more than 98 percent of the time and never have payments been delayed more than one day.

The upgraded equipment also has many validation routines that ensure a high quality product. The electronic self test of the Treasury check ensures it is printed properly, while an electronic match of the check with the voucher validates that the check is associated with the proper payment for that voucher. Recent software upgrades are generating savings in postal costs by adding expanded zip code information. When fully implemented we project postal rates will be reduced between 7 — 15 cents per item.

While significant savings, related to the centralizing of disbursing, are provided in the reduction of resources, even more important savings result from the dramatic decrease in transactions for others. DDCCD currently disburses the funds for more than 85 percent of the Army fiscal stations, with the number increasing each month. A disbursement by one of these fiscal stations for another fiscal station, served by DDCCD, is now processed as a “for self” transaction. Not only does this result in significant savings in the effort previously dedicated to researching and processing these type transactions, but it also allows the more timely posting of the accounting records and provides our customers with a basis for better management decisions.

DDCCD endeavors to take the lead in testing and expanding the use of alternative automated payment delivery systems. An example is the On-Line Payment and Collection, or OPAC system, which is quickly expanding as a means used to make large dollar value payments expeditiously and effectively. OPAC offers a vehicle to make payments and collections between DFAS-IN and other government activities, such as Internal Revenue Service and General Services Administration and eliminates the majority of the delays inherent in the traditional payment and clearance processes.

In addition to disbursing government funds, DDCCD utilizes the high speed printing equipment to process all U.S. Savings Bonds for the active duty

military personnel of the Army and Marine Corps, together with bonds for all military retirees. More than 100,000 Savings Bonds are printed and distributed monthly.

Since the inception of centralized disbursing, tremendous progress has been made in reducing the costs of DFAS-IN disbursing. DDCCD is producing payment transactions with a staff of 231 employees that previously required more than 600 employees in the Army field offices. This has been accomplished without degrading services to the payee or adversely affecting the accounting for disbursing transactions.

There have been many lessons learned, and there are still challenges to overcome. However, our experience to date has shown that centralized disbursing has been a contributing factor in reducing problem disbursements; and that there are both economic and functional benefits from consolidating some business processes.

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#### **About the Author**

*Bonnie Thomas is currently the Assistant Deputy Director for Treasury Operations, Deputy Director for Central Disbursing at DFAS-IN. She has been with the centralized disbursing project since the project team was established in 1995 and has over 22 years of experience in financial management and financial systems analyst positions.*

#### **Army Comptroller Intern Handbook**

The Army Comptroller Proponency Office plans to publish a handbook for comptroller career program interns in June. Editing and staffing are well along on this beginner's compendium of helpful facts and reference sources. Topics include things like how to prepare travel orders for schools, how to select and arrange training called for in the training plan, and names and locations and telephone numbers of people who can help get things done. The book is designed to lead interns by the hand, through in-processing and supervisor's orientation, to the essential business of helping to design, lay out and refine their own two-year training and professional development plans. Interns will learn to approach training with a critical eye: was the training worth going to; should others attend also; what were strong and weak points? The central aim is to get interns thinking of themselves as professionals-in-becoming.



# PERSPECTIVES

OFFICE, ASSISTANT SECRETARY OF THE ARMY

(FINANCIAL MANAGEMENT & COMPTROLLER)



*The following sections were written by different OASA(FM&C) deputies. Not every deputy will provide input for this feature.*

## OASA(FM&C) Budget by Maj. Gen. Clair F. Gill

### Fiscal Year 2000 Army Budget

Last January, I briefed the Army's fiscal year 2000 budget at the DoD press conference. I want to share my perception of what the fiscal year 2000 budget does for us, as well as some concerns. We have requested \$67.3 billion in total obligation authority, which is \$3.0 billion up from the 1999 President's budget. The fiscal year 2000 budget supports the Army's vision and commitment to maintain a total quality force of active, reserve and guard soldiers and civilians. It supports the "shape, respond, prepare" strategy validated by the Quadrennial Defense Review and adequately resources the Army to accomplish near-term mission requirements set forth as the national security and military strategies. We have balanced the budget to enhance readiness, preserve modernization efforts, integrate the force structure and maintain quality of life.

The Army's challenge has not changed—stay trained and ready while conducting the most fundamental transformation since the end of World War II, in an era of constrained resources. To meet this challenge we must continue caring for our most precious resource—people—while balancing current and future readiness. Our people remain our number one readiness issue. The fiscal year 2000 budget improves quality of life programs, beginning with just under half a billion dollars for a 4.4 percent across-the-board raise for everyone next January, plus proposed retention raises in basic pay for mid-grade officers and enlisted personnel, varying by length of service.

Our proposed budget also would bring back the pre-1986, 20-year retirement rate of 50 percent, in place of today's 40 percent under the Military Retirement Reform Act. Retirement would be figured as 2.5 percent of the highest 3-year average of basic pay times length of service, or 50 percent starting at 20 years, with a few cutbacks in cost-of-living allowances. For many soldiers, that's the best pay news in years.

The fiscal year 2000 budget supports end strengths of 480,000 active, 205,000 reserve and 350,000 Army National Guard soldiers. The civilian workforce end strength will drop about 6,000 or 2.8 percent from this year, to about 218,000 in 2000.

Our budget further promotes force readiness by strengthening quality-of-life structure for Army soldiers, civilians and their families. The whole barracks renewal program, a primary QOL initiative, includes a half billion in military construction, Army to improve single soldier living conditions. Of that, 81 million would be to start new construction in 2000, the rest following in 2001 to finish the projects. We've proposed just over a billion in Army family housing to operate and maintain 123,000 family housing units worldwide. Slightly less than half of that is for major maintenance and repair of about 1,000 units. Another 61 million of it would be for construction projects, including 14 million in 2000 housing construction in Korea and Germany. Absent from this budget is any domestic replacement construction or major family lodging renovation. Rather, in 2000, in keeping with the 1996 Military Housing Privatization Initiative (PL 104-106), we plan to award privatization contracts for housing at Fort Hood, Texas, Fort Lewis, Wash., Fort Meade, Md., and Stewart/Hunter Army Airfield, Ga.

Some quality concerns remain: while manning is covered, Army recruiting and retention challenges persist. An interesting anomaly is that as we reach steady-state strengths, recruiting goals have tended to rise. In the fiscal year 2000 budget, we've responded to this by increasing funding of recruiter support and also addressed the increasingly difficult market conditions. The budget also adds recruiting enhancements like an increased maximum combined Montgomery GI bill and Army college fund benefit of \$50,000.

The fiscal year 2000 budget cuts near-term readiness risk but keeps higher risks in future readiness by delaying modernization improvements and infrastruc-



# PERSPECTIVES



ture revitalization until later in the future years defense plan. Field commanders will see greater funding increases and flexibility to protect training and to provide QOL that our soldiers and families deserve. However, much work still needs to be done. There isn't enough in the fiscal year 2000 budget to improve modernization to the levels we need to ensure future readiness.

The Army's ground operating tempo or OPTEMPO and flying hours program have been funded to meet readiness levels specified in the Defense planning guidance document. In 2000, the budget supports ground OPTEMPO of 800 miles per year for the M1 Abrams tank, 934 miles for the M2 Bradley infantry fighting vehicle and 970 miles for the M3 Bradley cavalry fighting vehicle. It supports an average of 14.5 flying hours per aircrew per month for the active component. In selected units, OPTEMPO miles include a small number of close combat tactical trainer (simulator) miles, as well as actual miles. The fiscal year 2000 budget supports 216 tank miles and 9.0 flying hours per month for the Guard and 164 miles and 9.5 flying hours for the Reserve.

Supplying and maintaining equipment for the Army's soldiers is essential to overall readiness. The fiscal year 2000 budget increases support for depot maintenance ammunition and pre-position stocks program and sustains logistics support programs such as second destination transportation and supply depot operations.

Posts, camps and stations provide the platform needed to train and launch today's power projection Army, and the fiscal year 2000 budget ensures that this platform supports the national strategy. It also sustains, with minor risk, base support infrastructure to include communications, engineering and public works, and minor repairs and maintenance.

We still have some readiness concerns with this budget. While we think it will arrest facility deterioration somewhat, we were forced to delay the recapitalization start until budget year 2003, an annual 178 million shortfall until then. These increases in readiness funding are dependent on inflation, foreign currency and military construction incremental funding presumptions.

Modernization continues to be a critical component of the Army's ability to support the national military strategy and its effort to maintain a compre-

hensive ability to defeat any current or foreseeable military threat with minimum casualties. We manage modernization of Army weapon systems and equipment through a continuous process of change and growth that encourages innovation, imagination and responsible risk-taking. The fiscal year 2000 budget continues the Army's emphasis on critical modernization programs, major system upgrades and critical missile and combat service support systems; but it has no new starts. Critical modernization programs, such as Comanche, Crusader, Longbow Apache, Longbow Hellfire, Army Tactical Missile System-Brilliant Anti-Tank, Abrams tank upgrade and the family of medium tactical vehicles, continue to move forward. Procurement appropriation request is 400 million more than for this year.

We continue the Army's long-standing commitment to modernize the Reserve, with historically high modernization efforts continuing through Army procurement of new systems and redistribution of displaced or excess equipment from within the Army inventory. Funding for the Reserve continues for the Avenger, Sentinel, Blackhawk, heavy equipment transporter, MK-19 grenade launcher, advanced field artillery tactical data system, line haul trucks, logistics support vessels and the deployable universal combat earthmover or Deuce. Equipping the force is viewed from a Total Army perspective and based on the first to fight principles articulated in the Defense planning guidance document. We have made great strides, but we still have compatibility shortfalls and essential support equipment shortages.

Even with our commitment to improve long-term readiness, there exist modernization shortfalls in soldier support systems, replacement of aging equipment, improvement of combat systems, procurement of modernized munitions, modernization of reserve components, and Force XXI digitization.

The Army has worked diligently with Defense and Administration officials to produce this budget. I believe our budget reflects a balanced assessment of the Army's needs and priorities. It seeks to enhance readiness, preserve modernization, integrate the force structure and improve the quality of life. We have worked hard to achieve a balance between readiness and modernization that provides readiness today with the elements that will make the Army ready tomorrow. This has been a substantial challenge, one greatly assisted by the president's recent decision to



# PERSPECTIVES



increase DoD funding. We are committed to the balanced allocation of resources in accordance with warfighting policies while allowing our commanders the flexibility during execution, and within legislative restrictions, to conduct daily operations.

As resource managers, we must ensure that funding is balanced to maintain readiness and quality of life, while providing the investments in recapitalization and modernization the future demands to achieve full spectrum dominance as the world's preeminent land force. And we must all practice good stewardship to ensure that each scarce dollar provides the best return on investment.

**Program and Budget Data, \$ in billions  
(President's Budget)**

<b>Appropriation</b>	<b>FY 99</b>	<b>FY 00</b>
Military Personnel	\$26.6	\$27.8
Procurement	8.2	8.6
Research, Development, Test & Evaluation	4.8	4.4
Operations and Maintenance	20.9	22.9
Military Construction	0.9	0.7
Army Family Housing	1.2	1.1
Base Closure and Realignment	0.5	0.2
Environmental Restoration Act	0.4	0.4
Chemical Demilitarization	0.9	1.2
Army Working Capital Fund	0.1	0.1
Total (may not add due to rounding)	\$64.4	\$67.4

## OASA(FM&C) Cost Analysis by Robert W. Young

### Real savings in operating and support costs

Operating and support costs account for the largest portion of a system's life cycle cost. With the reduction in defense budgets since the end of the cold war, operating and support costs have become a target for review, with a rise in interest in total ownership cost of every system. Army total obligation authority reductions have been made by cutting personnel and modernization accounts. With operating and support costs such a large part of the Army's budget, they need to be closely examined, because that makes good business sense.

In considering investments in O&S cost-reducing initiatives, two basic principles ensure that real savings are identified to appropriately balance funds within the Army's budget: (1) use the same data that built the budget, and (2) you can't save more than you have. If you use the same data the budget was built on, then any savings derived can easily be identified within the appropriate budget line. The anticipated savings cannot exceed the amount budgeted for the system you are improving.

There are many cost reduction programs with different names, funding sources and requirements. Examples are modernization through spares; reliability, maintainability and sustainability; supply man-

agement Army operations and support cost reduction; commercial operations and support initiatives; and investment initiatives from the last extended budget plan or POM for 2001-2005. All of them are designed to reduce operating and support costs and they all require cost reduction proposals to be supported by economic analysis.

These cost-saving programs usually single out operations and maintenance Army as those to be "saved" and thereby reallocated to another part of the budget. The projected savings may be taken from the budget before they are realized. This poses a real problem when, if planned savings are not realized, a subsequent bill is generated instead. That point is not always fully understood by cost reduction advocates and is the reason many projects tendered as cost-savers have failed the evaluation test.

One objective of cost-saving proposals is to make operating and support cost savings available for modernization programs. This objective is at risk unless the funds projected to be saved and recommitted to other priorities are real savings.

Another concern with the concept of reallocating operating and support cost reduction savings in the POM before they are realized is the potential to view the projected savings for the specific system in



# PERSPECTIVES



isolation. What may be forgotten is that these same systems have other projects underway which add capability or improvements that often increase the operating and support costs to support the system. These improvements may well offset any savings proposed, and require an overall increase in operating and support cost funding for the Army. As an example, this is a possibility with the addition of digitization to many systems. We also have the addition of new or modernized systems, which increase total Army operating and support costs. It is even more difficult to identify the operating and support cost of these new and improved systems at Army headquarters than it is to identify legitimate savings on legacy systems.

The OPTEMPO budget is based on class IX (repair part) demands captured in the operating and support management information system which is managed by our Army Cost and Economic Analysis Center. This system is the first source for identifying and measuring real savings. Our new operating and support management information system relational database currently contains data from fiscal years 1994-1997, on national stock number prices and demands, system operating tempo and density and

ammunition usage. By next July, the operating and support management information system relational database will expand to include data from years 1990 through 1998. We also plan additional capabilities and data to further refine actual costs.

Savings associated with military labor work-hours are not appropriate to justify supply management Army operations and support cost reduction program cost reductions, since these manpower costs will be incurred for some other requirements. However, work-hours associated with civilian and especially contractor support are appropriate. Contracts for support can easily be reduced, and savings taken; however, government civilians are like military and may be moved to other jobs, thereby not achieving the personnel reductions needed to count savings.

By keeping the above two basic principles in mind—derive savings projections from the same data the budget was built on, and, you can't save more than you have—more projects will pass the evaluation test, and the intent of these programs will be realized. All of us must do our best to ensure that the projected savings are real savings and that taking or harvesting them will ultimately benefit the Army.

## AMSC SBLM class graduates

The Comptroller Career Program had 19 students among the graduates of the Army Management Staff College's Sustaining Base Leadership and Management program class 98-3, which finished in December. During the intense course, students worked on creative and unconventional solutions to familiar problems. They focused on "big-picture" issues like why we have an Army; how we design it; how we staff, equip, sustain, support, and station the Army; and issues in leadership, management, decision-making and stewardship that Army civilian leaders have to deal with. Congratulations to all graduates for thinking way outside the box!

<u>Name</u>	<u>Command</u>	<u>Name</u>	<u>Command</u>
Richard D. Aigen	HQDA/AAA	Julie K. Rief	FORSCOM
Gregory P. Cyr	EUSA	Michael F. Rolla	TRADOC
Halstead N Green	USAREUR	Vicky W. Sain	HQDA/AAA
Randall F. Jordan	HQDA	Hettie R. Smith	FORSCOM
Stephan S. Kreiser	USAREUR	Sabra J. Suttles	FORSCOM
Veronica M. Lewis	FORSCOM	Joseph H. Thompson	USAREUR
Terri B. Matthews	HQDA/AAA	George R. Warren	FORSCOM
Paul A. Murray	USAREUR	Voncile Y. Williams	USACE
Renee A. Picot	HQDA/AAA	Linda J. Wilson	MEDCOM
Sally J. Rake	AMC		

# RM PROFESSIONAL DEVELOPMENT H I G H L I G H T S

## **The Business of Defense: The PRMC** **by Judy Holmes**

*Editor's Note: The following article appeared in the Syracuse University School of Management publication SU Management, Winter 1999 issue, and is reprinted with permission.*

It wasn't a typical Monday morning for this group of 35 military and civilian resource managers. For one thing, they found themselves sitting in a classroom in the School of Management instead of their offices, which are located at duty posts around the world. For another, they were confronted with an intentionally insoluble assignment: to find a solution for the Social Security conundrum by the end of the week.

The group was one of three classes that attend the Professional Resource Management Course or PRMC each year. Sponsored by the Department of the Army, the four-week program is designed for resource managers of the Army and DoD. Students attend classes eight hours a day, and they are involved in team projects in the evening. Their one driving goal: to improve their analytical, communication and team skills, while gaining a better understanding of the Army's resource management process and the political and social environment in which it operates. The DoD, SU and the school are no strangers to one another. Not long after World War II, the Army Comptrollership Program, which led to the MBA degree, was hailed as a breakthrough by the *Wall Street Journal* – not only for the Army, but in executive education. PRMC is the most recent achievement in this long tradition of collaboration. It is administered by Col. David Berg, U.S. Army (retired), director of Army programs. Classes are taught by Berg and members of the school's faculty, with an important assist from guest speakers, who video-conference with students from SU's Greenburg House in Washington.

Referring to the massive challenge of straightening our Social Security within the week, one member of the course, Maj. Dennis Bradford, reported, "Our team battled it out last night for more than three hours." Fresh from a post in Panama, Bradford said,

"People take the exercise seriously. We expressed our own views and learned by looking at other perspectives." Says Berg: "That's exactly the point of the exercise – to help students communicate better, to break down barriers, to work as a team. Resource management isn't about money or budgets. Its greatest challenge lies in reconciling diverse views." Students agree that one of the primary benefits of the program is a chance to interact with colleagues representing a broad range of commands and job functions within the military establishment. Reid Zoller, a civilian managed-care program manager stationed in Heidelberg, Germany, recalls: "My job is focused on managing health care for Americans stationed in central Europe. I wanted to get more exposure to budgeting and other financial aspects of our field outside the health care arena. Interacting with the other professionals in the program was invaluable."

In the program's final team project, students are challenged to cut \$600 million from the Army budget. They are divided into special interest groups within the Army bureaucracy, each with its own turf to protect. They receive copies of an actual Army budget and are given two weeks to reach a consensus. The entire class must agree on the final version and then defend it in a videoconference with a representative of the Army Budget Office.

The exercise offers vital insights not only into the budgeting process but also what lies in store. "We all know we are going to have to make cuts, and I want to learn how to work around them," says Jennifer Judge, a civilian budget analyst from Fort Huachuca, Ariz. "We also need to recognize that a good percentage of our work will be privatized, and we need to understand how to work within that process."

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### **About the Author**

*Judy Holmes, News Manager of News & Publications, SU Management, Winter 1999 Issue, Syracuse University*



## PRMC Class 99-II graduates

Four military and 24 civilian students from 11 major commands, Army headquarters and the Defense Finance and Accounting Service graduated in February from Professional Resource Management Course class 99-II at Syracuse University, Syracuse, N.Y. Students completed four weeks of graduate instruction in the process and the environment of resource management. They also worked group exercises to improve communication and decision-making skills. Congratulations to all on finishing this challenging instruction.

<u>Name</u>	<u>Command</u>
Carolyn Carlisle	MEDCOM
Jesse B. Carter	AAA
Albert J. Cato	USAREUR
Chony T. Culley	EUSA
Felicia D. DeJesus	INSCOM
Maj. Kenneth A. DeVoe	FORSCOM
Maj. Olen L. Dorney	OCAR
Cecelia A. Fancey	HQDA
Elizabeth W. Gillick	EUSA
Lerome Gunter	AMC
Julijana Halilagic	USAREUR
James C. Harden	FORSCOM
Christine E. Helman	MEDCOM
Diana M. Hoffman	MEDCOM
Li S. Hood	HQDA
John F. Kaiser	DFAS
Maj. Jeffrey F. Koob	TRADOC
Suky I. Legris	EUSA
Maj. William R. Newcombe	MEDCOM
Alyson K. Olson	USAREUR
Ruby M. Price	AMC
Barbara P. Rauch	TRADOC
Angela M. Stanford	HQDA
Denise M. Turner	USACIDC
Joseph L. Watson, Jr.	USAREUR
Michael A. Watson	EUSA
James D. Wickersham	MTMC
Renat� C. Woods	SMDC

## FM Redesign Update

FM Redesign seeks to improve Army financial management by streamlining organizations, reengineering processes and leveraging investments in people and technology. As our FM community began taking significant personnel cuts, with more still expected, the Assistant Secretary, Hon. Helen McCoy, directed a comprehensive assessment of Army-wide financial systems, processes and organizations. That was to develop a framework and new business processes to help smaller FM organizations become more flexible and agile, so they could

continue giving expert advice to support Army mission accomplishment.

The first major event was a contractor-facilitated review by senior FM personnel from throughout the Army. The review led to 28 proposed initiatives in five broad categories covering personnel, information technology, organizational structure, funds management and business practices.

FM Redesign implementation comprises key efforts to apply guiding principles of the Defense Reform Initiative in the areas of core competencies, investment in people and exploiting information technology. A significant effort is the Financial Analyst initiative, updated elsewhere in this issue.

Along with that, today's proven information technology capabilities, especially those of the World Wide Web, offer unprecedented opportunities to improve business processes. For the Army, one of the major impediments to effective resource utilization is the lack of timely and accurate execution data for decision makers. Resolving this problem is a top priority. Coordinated efforts are now underway with the Army's information manager and with other organizations that have successful and innovative automation efforts ongoing. Their aim is to provide near real-time access to execution data via the World Wide Web.

## PMCC Class 99-R graduates

The Army had 13 military and four civilian students in Professional Military Comptroller Course class 99-R, the annual offering for Reserve Component commands and agencies of all the military departments. The class graduated in December 1998.

Students completed two weeks of instruction in contemporary resource management issues and problems facing financial managers throughout DoD.

<u>Name</u>	<u>Command</u>
Col. Rick Baccus	R.I. ARNG
Joseph G. DeBoer	80 <sup>th</sup> Div (IT)
Capt. Leslie R. Douglas-Jones	99 <sup>th</sup> RSC
Maj. Quinton H. Fulgham	USARC
Maj. Melinda C. Grow	Nev. ARNG
Maj. James T. Hrdlicka	N.Dak. ARNG
Linda S. Lombardi	70 <sup>th</sup> RSC
Maj. Paula S. Lorick	81 <sup>st</sup> RSC
Maj. James W. Macon	OASA(FM&C)
Maj. Paul R. Meyers	Ohio ARNG
Col. James A. Minor	USARC
Peter R. Morey	63 <sup>rd</sup> RSC
Col. James R. Morgan	N.Mex. ARNG
Col. Michael E. Rawlins	Hawaii ARNG
Johnny W. Schablik, Jr.	81 <sup>st</sup> RSC
Col. Michael H. Sumrall	Ala. ARNG
Maj. Bobby C. Thornton	Miss. ARNG

February 19, 1999

MEMORANDUM FOR COMPTROLLER CIVILIAN CAREER PROGRAM (CP 11)  
CAREERISTS

SUBJECT: Easy ACCES Is Here for CP 11

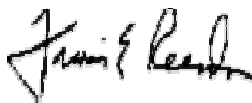
I am pleased to announce that Easy ACCES is now available for use in the Comptroller Civilian Career Program (CP 11). Easy ACCES is the automated, on-line version of our career referral registration system. We're going to use this occasion to get the CP 11 ACCES database cleaned up, so that we have everyone's correct telephone number, mailing and e-mail addresses and geographic availability (DA Form 4338-R) in the new system. I urge you to sign on to the OASA(M&RA) home page at <http://cpol.army.mil/> and get a user i.d. and password today.

**Careerists who want to keep being referred after June 1, 1999 need to renew their registration in the central referral inventory using Easy ACCES.** This renewal requirement also applies to everyone who submitted a first time ACCES package for the accomplishment rating panel. We need everyone registered now to check and be sure your personal information, referral desires and available locations are the way you want them. Registrants and supervisors should also make any needed changes in ratings on the knowledge and ability factors. Your current accomplishment ratings will carry over into Easy ACCES. If you already submitted accomplishments for a recent panel rating, those ratings will be in your Easy ACCES record.

**By renewing your registration on-line, you will not experience a break in referral after June 1, 1999. If you don't, your record will become inactive (no referrals) until we hear from you via Easy ACCES.** Any changes you make while renewing your registration on-line, other than accomplishments to be rated by the panel, will take effect immediately. You can, and you should, submit accomplishments for panel rating on-line as well; these must be received by the published quarterly deadlines for rating by the next panel.

If you are not yet registered in ACCES, now is a great time to do so, because it's so much easier. You can work on any part of your package, one segment at a time. The system keeps track of the status of each segment and will let you know when your record is complete. Each supervisor needs to log on the system and obtain a user identification and password as well.

I hope you will take the time to act now and work on your registration package. The staff at the OASA(M&RA) Career Management Operations Branch is standing by to answer questions about Easy ACCES. The point of contact for more information is Marsha Arrington, DSN 221-7260, (703) 325-7260, [arringtm@asamra.hoffman.army.mil](mailto:arringtm@asamra.hoffman.army.mil) or [EASY@asamra.hoffman.army.mil](mailto:EASY@asamra.hoffman.army.mil).



Francis E. Reardon  
Functional Chief Representative  
Comptroller Civilian Career Progra

# Assistant Secretary of the Army (Financial Management & Comptroller)

## **Our Mission -- What We Do ...**

Our mission is to provide professional resource managers who support the full spectrum of Army operations and deliver pertinent, timely, and reliable information and advice to decision makers.

## **Vision -- Where We Are Going ...**

We share a vision as a Worldwide Team of Professionals who are:  
Motivated to pursue the path to excellence through continuous improvement in all that we do;  
Empowered to think globally and act locally as we address the true needs of our Army;  
Inspired to provide our customers with information, products, and service so outstanding that we will be the premier supplier.

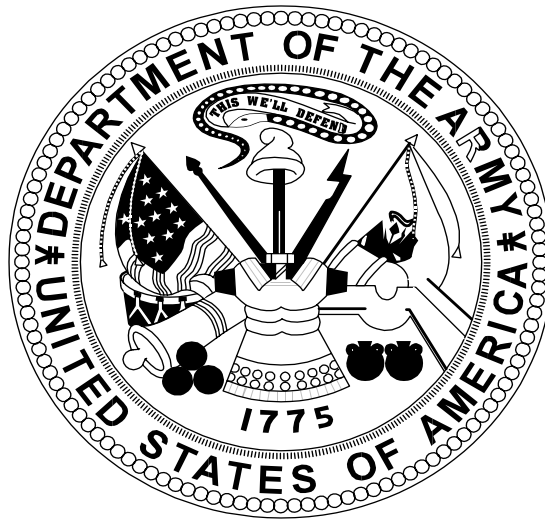
## **Our Guiding Principles ...**

**Professional Development**      Develop a technically competent and confident workforce that is visionary in its approach to resource management issues, concepts, and daily operations, and that is committed to providing responsive, innovative, and professional services and products to the customer.

**Quality**                      Recruit a professional workforce focused on providing efficient and effective services and products to the customer.

Retain our workforce by offering them professional educational and career enhancing opportunities and by providing them with a quality work environment.

*-- Excerpt from CP-11 Strategic Plan*



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